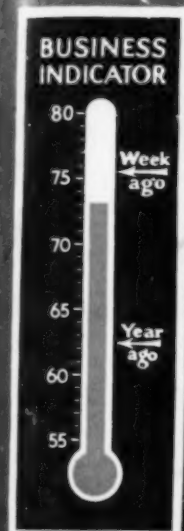


JAN. 4  
1936

JAN 6 1936

# BUSINESS WEEK



Harris & Ewing

**JACK AND JOE WENT UP THE HILL**—to open the second session of the 74th Congress this week. As the respective heads of the Senate and the House, Mr. Garner (right) and Mr. Byrnes will have the thankless job of keeping log-rolling lawmakers in line with Administration policies.

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**WHEN SALES AND  
PROFITS LAG . . .**

Switch to Enduro

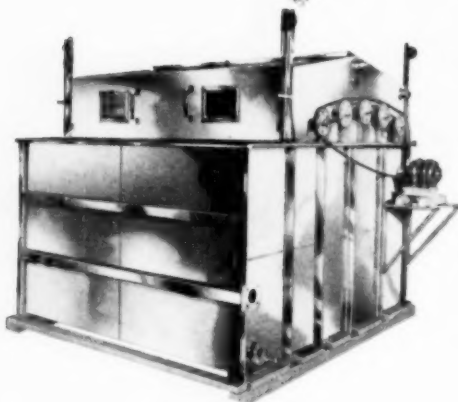


Follow your sales figures along the track of progress until the block seems set against further movement—then switch to ENDURO, Republic's Perfected Stainless Steel.

This isn't new. Businesses in every city in America have seen their products reach what seemed to be the saturation points in their markets—then redesigned, taking advantage of the many outstanding features of this modern metal—and have observed their output soar to heights before undreamed of.

Automobiles use ENDURO for its beauty—meat packing and dairy equipment because it is sanitary—textile equipment because it does not change dye colors—chemical apparatus because it does not contaminate—and machinery on account of its extra strength.

The influence of ENDURO on sales charts is an interesting one. Will you let us tell you what it can do for you?



**Republic Steel**  
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GENERAL OFFICES . . . CLEVELAND, OHIO  
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BUSINESS WEEK

# Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—New Year Cheers: Business is better. General feeling is optimistic. Italo-Ethiopian fracas may not set off world war spark, after all. Trade barriers are at least loopholed by reciprocal trade agreements. There's new hope on eventual budget-balancing. Interest charges on business are definitely down. Even the breathing-spell gesture might be counted as a break.

New Year Tears: Congress is back. Bonus will pass. Taxes are higher, will mount further. Payroll levies will boost prices, cut profits. World peace is endangered. World armaments costs are expanding. Substitutes for outlawed New Deal experiments can make fresh trouble.

## Bonus Veto Still Good Bet

Roosevelt is not saying whether he has changed his mind on soldier bonus, since he found out it would pass over veto. Is reserving public announcement waiting developments. But veto is still predicted.

## St. Andrew Shows the Way

Andrew W. Mellon is in danger of adoption as a Democratic apostle—if not saint. First Jim Farley, now Democrats generally are realizing Mellon proved a federal debt can be paid off, hence is not so dangerous as pessimists fear. Says Farley: "In course of ten years, although taxes were decreased progressively, \$10 billions had been repaid. . . . Nothing miraculous about this. It was accomplished by ordinary methods in ordinary way, and the process will be repeated in relation to present deficit."

## Luxury Taxes If—

Luxury taxes are certain if Supreme Court throws out AAA processing taxes, but only small minority follows House Appropriations Chairman Buchanan's idea of substituting them for payroll taxes in social security act.

## Proving Grounds Not Wanted

Cool reception will greet Morris Cooke's plea that utilities develop rural "proving grounds" to show what really intensive electrification can do for farmers and companies. Present power demand will keep utilities too busy to bother. Maybe they just don't want to hear; maybe they think this is no time for costly experiments with TVA moving in and taxes increasingly sure.

## Practical Patronage

Congress will not approve suggestion of college professors, approved by National Resources Committee

## CHANCE TO CHECK UP

*Don't bother your Congressman Jan. 10 or 11. He will be busy reading President's accounting of that \$4.8-billion work relief appropriation. The report, out Jan. 10, will show where every dollar was spent up to a certain date—Dec. 31, it is hoped, but more likely a week or two earlier. For first time, national legislators will find out just how their districts and states came out at the federal pie counter.*

(including Ickes, Wallace, etc.), for regional headquarters to decentralize federal activities. Legislators want federal employees close to Capitol Hill. It's better for patronage.

## Political Test

Important test of Roosevelt's resourcefulness in meeting political dangers will come on expected move to win Al Smith back after open spat resulting from White House invitation episode. He got himself called "Old Potato" after a 1932 row that apparently left no chance for affectionate terms. Enough electoral votes to decide election may hang on this expected move.

## Two Neutrality Fights

President faces two fights on new neutrality law—against granting him complete discretion as to commodities to be embargoed, against discretion to decide countries to which embargo will apply. Strong Congress group favors mandatory law as to commodities, to apply to all belligerents.

## Eastman Puts on Steam

Coordinator Eastman, as unofficial umpire, hopes to pull some kind of agreement to end cutthroat competition between railroads and trucks out of second meeting of rivals Jan. 6. Otherwise, impulse that brought them together will peter out. Before pledging no more rate-cutting, railroads

want some assurance that backhaul and contract truck rates will be boosted.

## Blow to Wagner Act

Decision of U. S. Circuit Court of Appeals at Philadelphia, setting Mar. 2 for hearing on Pennsylvania Greyhound case, is rebuff for Labor Relations Board, which wanted early date to make sure first Wagner act case before Supreme Court would be this one, involving interstate company.

## Playing a War Ace

Woodrow Wilson's son-in-law, Francis B. Sayre, Assistant Secretary of State, commits war President's prestige to "most favored nation" clause in all reciprocity treaties—which further strengthens Hull's winning hand against George Peek's ideals. Important because strong minority in Congress would like to change.

## Spades Will Be Spades

Chances for aid to merchant marine are brighter than ever before in history with Postmaster-General Farley openly for honest, direct subsidy instead of stupid beating around the bush through mail subvention, necessitated in past by prejudice against word "subsidy." However, some shipping people still fear that word and some think they would come out better under the old deal.

## A Paradox, a Paradox

Printing-press-money boys will not upset Roosevelt-Morgenthau gold policy. Paradox of inflationists urging issuance of gold or gold certificates to pay soldier bonus is interesting but not significant. Plan will not get anywhere.

## No 3.2% Ale

Federal Alcohol Administration ruling that beverages containing less than 5% alcohol may not be called ale, porter, or stout annoys interstate shipping brewers no end, for it would prohibit sale of those familiar drinks in states still holding to 3.2%. Meanwhile FAA must take new orders since Administrator Hoyt is leaving a good job because of a bad throat.

## Emergency Message

President's message was somewhat straitjacketed by his not knowing what Supreme Court will do on so many New Deal measures. If Court knockouts should be numerous, supplemental messages will strike new high.

## Benefits Rule the Farm

Farley says farmers are unit for AAA. No "Mutiny on the Bounty."





## BEHIND THESE GATES . . .

At Boulder Dam is rising a towering head of water, salient of an inland sea extending back 100 miles.

Four intake towers like these, each 358 feet tall, contain the gates designed to regulate the flow of water from that mammoth reservoir.

Eight massive cylinders each weighing 240 tons, each one as heavy as a 6-car streamlined train . . . in all, four million pounds of metal form these gates!

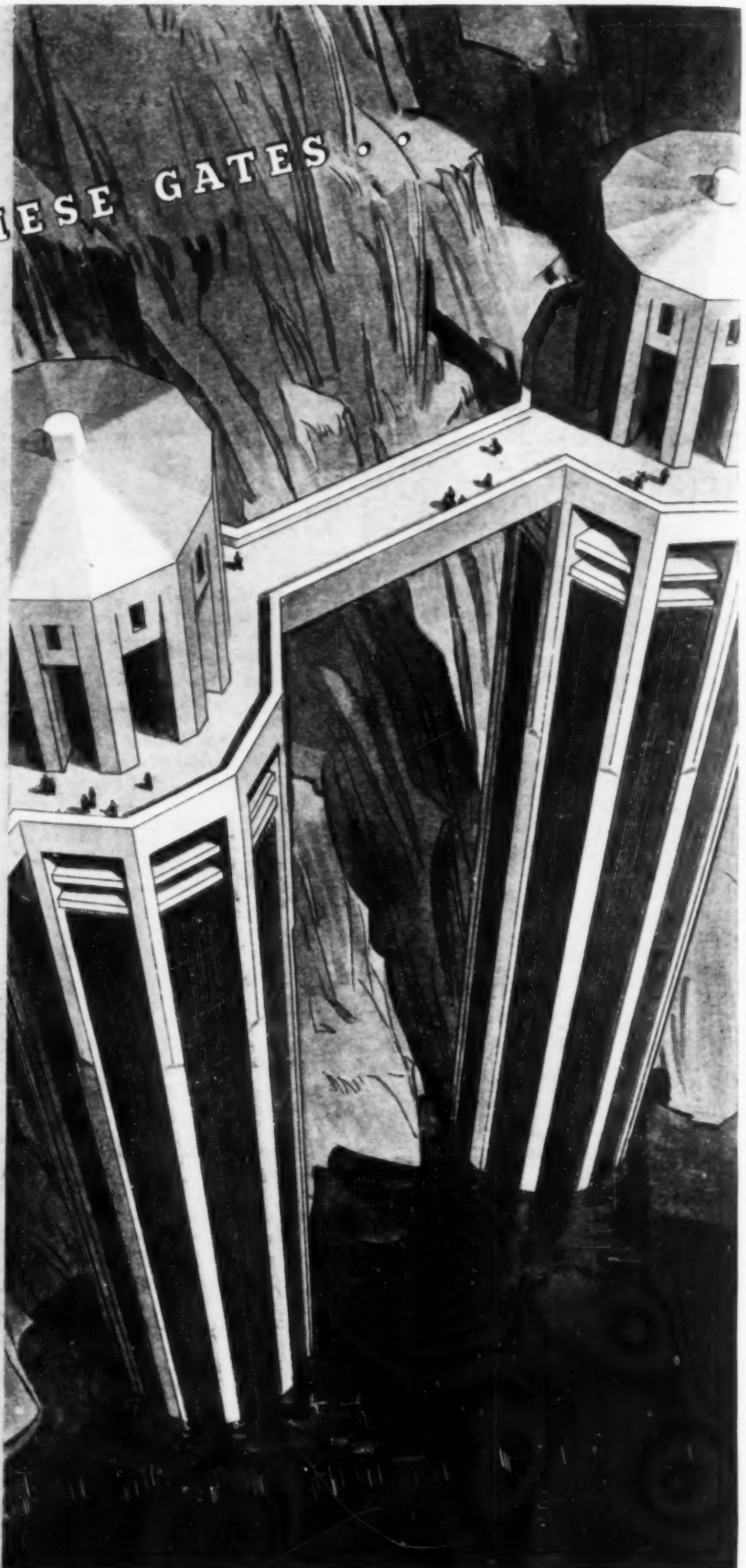
Raised by means of screw hoists located at the top of the towers, these gates will release the captive floodwaters of a torrential Colorado River . . . to irrigate arid wastes and supply horsepower by the millions for populous communities.

Made entirely of welded plates requiring 530,500 linear inches of weld . . . and then, because of their enormous bulk, shipped in segments which in turn were welded together on the job . . . these gates comprise the largest arc-welding project of its type ever completed. They could have been fabricated only where unparalleled experience in the art of electric arc-welding combines with rare engineering skill and almost unlimited large-scale manufacturing facilities.

A symbol of Westinghouse enterprise over 50 years throughout the whole broad range of electric power generation, distribution and use. Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pennsylvania.



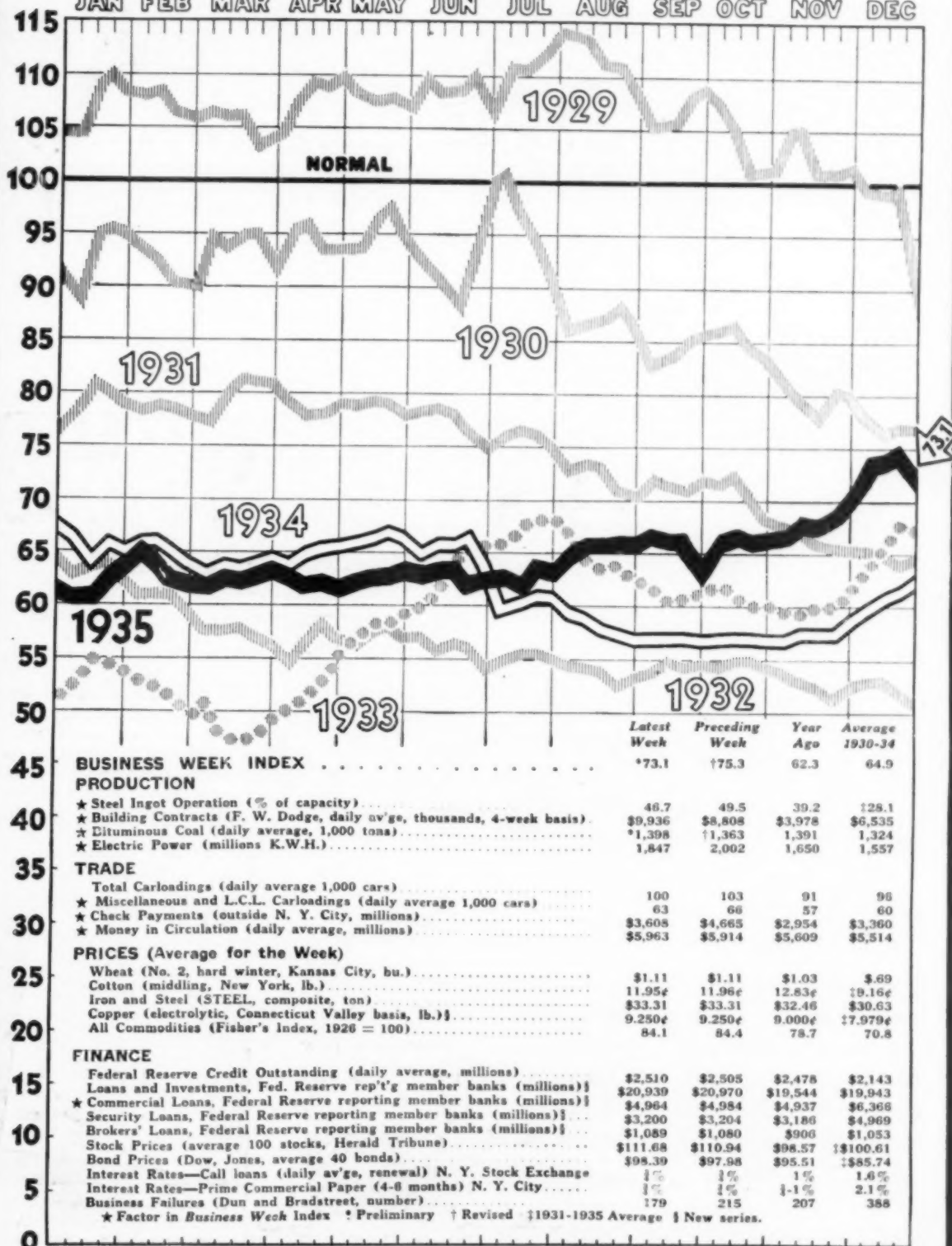
50 YEARS OF  
GROWTH AND ACHIEVEMENT





# WEEKLY INDEX OF BUSINESS ACTIVITY

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BUSINESS WEEK

# Burroughs

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# The Business Outlook

WHAT'S ahead for 1936? In the field of business, keener competition but continued improvement in steel, motor, machine tool, textile, lumber, construction, and chemical industries; larger agricultural production and income, whatever the outcome of the AAA in the hands of the Supreme Court; more reemployment, particularly in the building industry, but no demobilization of the vast army of unemployed; further gains in national income, especially through wage and dividend channels; no substantial change in general price level. Prices of agricultural products may taper in the last half of 1936, but manufacturers will attempt to push their products toward higher levels. Profit prospects remain favorable in view of better consumption demand, stable prices, and despite the inevitable increase in taxes flowing from social security experiments.

## More New Issues Coming

Refunding issues will probably dominate capital markets, but more new funds should make their appearance in 1936 than in 1935. Top-heavy bank reserves will continue to constitute a problem. But modernization and advertising budgets are being expanded, symptomatic of rising business confidence in recovery. In politics, the hardest fought Presidential election since Bryan will bring up the usual crop of largely unfounded business fears. In foreign affairs, increasing tension can be expected, particularly in the Far East.

## Durable Goods Recovery

*Business Week* expects its index of general business activity to average 76% of normal or better in 1936, a 15% gain over the average 1935 level of 66% of normal. Recovery in durable goods fields should be increasingly apparent. A beginning was noticeable in late 1935 in such fields as steel, machine tools, farm implements, heavy construction, railroad traffic. Much of the federal government's construction program financed from relief funds will be in operation during 1936 to swell the total. Due to the precarious position of world peace, Congress may lend an ear to pleas of the army and navy departments for bigger and better equipment. Some orders along these lines have already been booked.

## A Modernization Year

But 1936 should witness the emergence of private industry as the leading stimulator of heavy industries. Through extensive plant expansion in the sheet and strip fields, the steel industry is setting the pace in industrial modernization. The motor in-

## GOING PLACES IN '36

*Both industry and the public are set to go places in 1936. The new liner, Queen Mary, should give additional impetus to foreign travel. At home, the aviation industry is also laying plans to span the Atlantic, and, through the purchase of larger and speedier planes for transcontinental service, is preparing for an even more air-minded public in 1936 than in the record-making 1935.*

dust is already laying plans for 1937 models due to be introduced in the last quarter. All signs point to substantial retooling programs. Next year's cars will have to offer more than new gadgets to be in the swim.

## Electrical Gains Due

Farm implement makers look forward to 1936 as the best year in their history. Further improvement in consumer purchasing power will permit refrigerator, radio, and other electric appliance industries to extend last year's sales. Record breaking demands for electric power will force revamping of generating facilities, possibly on a larger scale than utilities will publicly admit. Equipment manufacturers report a significant swell in such inquiries.

## Railroads Looking Up

Even the railroads, among the last to reveal any signs of recovery, have become more hopeful about expanding equipment budgets next year. The year 1935 revealed a deficit in railroad earnings, but the last quarter returns were encouraging. Air conditioning is likely to get a fair share of railroad funds in its modernization program.

## Orders for Steel

From these industries as well as from can manufacturers and construction, the steel industry should be able

to count on enough business to lift its output close to, if not beyond, the 39 million tons of 1930.

## Trucks Closest to Record

Though much of next year's manufacturing enthusiasm will hinge on what the motor industry does, it is doubtful whether Detroit can push its 1936 output back to 1929's 5.6 millions mark. A 10%-15% increase can be expected which would bring assemblies above 4.5 millions. Passenger car sales in 1935 were the best since 1929, but it would take a 45% increase to better 1929 sales of 3.9 millions, a feat that is not likely to be achieved. Truck sales are in better position to establish a new record in the coming year. It would take less than a 10% increase to pass the 1929 high. Chances are that better than this can be accomplished.

## Machine Tool Prospects

If the motor industry does cast its die for the rear-engine car for 1937 presentation, the machine tool industry will get the spurt it requires to bring it back closer to 1929. It is unlikely that it will repeat the 85% increase in orders experienced in 1935. A gain of as much as 25% would be considered good.

## Home Building Doubts

Nor is it probable that residential construction will again double the previous year's total, despite the encouragement being offered prospective builders through insured mortgages. The industry would be grateful for a volume of from \$700-\$800 millions, with another \$1.5 billions of other construction in the 37 states covered by the F. W. Dodge reports. Such a volume coupled with increased demand for automobile safety glass would lift the flat glass industry to new heights in 1936.

## Mixed Price Outlook

Wholesale prices averaged 80% of the 1926 level in 1935, a gain of about 7% over 1934. This was achieved chiefly through substantial gains in food and farm products. With greater production in 1936, these products will probably show some sliding off from current levels. General wholesale price level expected to rise less than 10% in 1936.

## Textiles Should Improve

Consumption of textiles, particularly cotton, rayon and silk, is likely to be greater in the coming year, while wool consumption may take a downward turn following the exceptional record of 1935. But increased consumer purchasing power will form the strongest support of textiles.



Invested...\$3,000  
Annual Return...\$1,500

\$18,000 Annual Return  
From \$16,000 Investment

Invested...\$19,200  
Saves \$13,500 Annually

Saved...\$13,993

SAVES \$12,780 Annually  
by investing \$25,500 in electric equipment

Saved \$1000 a Month  
By This Change

Saved \$15,600 in Six Months  
on \$14,500 Investment

More than  
\$6,000 Saved Annually  
By \$3,000 Investment

Why It Paid  
This Company to Buy  
G-E Apparatus

\$4,917 Saved  
in First Year

The Right Way  
Cost \$16,500 More  
But it Paid

Change Saves \$8000 Annually;  
Repays Cost in First Year

## These Investments of \$240,000 Return 74% Annually

Sixteen purchasers report that from recent investments in General Electric equipment totaling \$240,000, they are obtaining definite annual returns of \$178,000, or 74 per cent.

General Electric is helping thousands of industrial purchasers to select the RIGHT electric equipment to produce money-making results.

Is *your* company realizing the savings and profits which can be obtained by working with General Electric's competent, dependable organization?

For more than 40 years, purchasers of the major portion of electric equipment have found it profitable to utilize General Electric equipment and service.

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# GENERAL ELECTRIC

# BUSINESS WEEK

JANUARY 4, 1936

## What Business Asks of Congress

**Many industries watch new session to push bills they want and oppose others. Price-control, reciprocal tariffs, and neutrality are big issues.**

WASHINGTON (*Special Correspondence*)—Representatives of a long list of businesses were on hand here this week, watching the new session of Congress and getting ready for conflicts.

The legislative desires of one business sometimes clash with those of another. Here is what various businesses want:

**Agricultural Commodity Processors**—Will oppose excise taxes to replace processing taxes if these are knocked out by Supreme Court. But excises would probably win.

**Aviation**—Against new airmail legislation to replace present act; will seek appropriation for transatlantic service.

**Bankers**—In general they favor repeal of silver purchase act; little chance of winning. Robert V. Fleming, Washington banker, president of American Bankers Association, will seek soft-spoken compromises on banking questions, avoid open fights.

**Brokers**—Will oppose segregation of dealer-broker functions if SEC recommends it to Congress.

**Coal**—Various interests disagree on many things, unite on only one. They hope for legislation allowing price-fixing for coal if Supreme Court invalidates Guffey act, "little NRA."

**Dairy**—Against dairy concessions to other countries in trade agreements. Favor end of Presidential power to make agreements without Senate ratification.

### Price Control Is Favored

**Drug**—For Copeland food and drug bill. Independent retailers are also for Tydings bill, amending Clayton act so as to let manufacturers maintain prices under state "fair trade" acts, or for more sweeping "Capper-Kelly" type of bill. Besides, they favor Van Nuys bill requiring filing of special discounts; purpose is to equalize buying opportunities of independents and chains. Wholesalers want this bill, too, or else Patman bill expressly forbidding special advantages to chains. Price-control legislation is also desired by building supplies, electrical, hardware, and tobacco distributors.

**Exporters**—Survey by *Business Week* (page 34) shows they oppose author-

izing President to discriminate between belligerents, and oppose extending list of embargoed goods; don't think it will work. Incline to favor cash-and-carry plan.

**Food**—For Copeland drug bill. Small wholesalers also want Patman bill (see "Drug" paragraph, above). Other food interests oppose any price-control legislation (page 27).

**Grain Exchanges**—Against commodity exchange bill, which provides severe regulation and requires commission men to obtain licenses from Secretary Wallace (*BW*—Dec 28 '35).

**Insurance**—Agrees with other financial interests in opposing Frazier-Lemke bill to refinance farm mortgages through a greenback-issuing bank.

**Investment Bankers**—Want FHA set-

up changed to make it practicable for them to sell insured mortgages, or securities based on them, to public.

**Liquor**—Against reducing liquor tariff under Canadian treaty and future treaties.

**Lumber**—Wants Presidential power to make tariff treaties curbed, but may pull its punches, having been promised new foreign markets under future treaties.

**Oil**—Independents will continue opposition to oil imports by big companies. Industry is generally against federal "hot oil" legislation, still favors the new interstate compact, which Ickes pooh-poohs.

### Railroads Continue Fight

**Railroads**—Will keep up fight on highway and water competitors and on labor bills for six-hour day, limiting train sizes, etc.

**Real Estate**—For Fletcher mortgage discount bank bill.

**Shipping**—Most firms oppose Copeland direct subsidy bill, because it would put them under government thumb and would prevent all rebates, which are said to be necessary in some



**THEIR WORK IS NEVER DONE**—Even before the new budget is started on its way, these employees of the Bureau of the Budget are busy, tabulating, checking and rechecking a mountain of estimates. After the budget is approved, they will go to work on allocation orders and statistical, detailed reports, charting the course of every dollar appropriated for the coming year.

cases. Prefer continuance of mail subsidy.

**Silver Miners**—Some want to give Treasury freer hand to jockey other nations; hope for a conference that would agree on international remonetization of silver.

**Textile**—Oppose 30-hour bill, federal corporation licensing bill, and "little NRA" bill for textile industry.

**Utility**—Wendell Willkie's holding company compromise plan has no chance yet, but industry will try to put it through if Supreme Court knocks out present act.

There will, of course, be a general business fight on the bonus, but the bonus will win. As to social security, business is divided over the question whether to try to amend some objectionable features of the present act, or to

rely on its complete invalidation by the Supreme Court and then try to pass a new bill.

A Congressional committee is to report soon on whether employers with private pension plans shall be exempted from the old-age tax, as business organizations have urged. Although the Townsend plan faces defeat, its amazing popularity is winning greater business tolerance for the present act.

The National Association of Manufacturers is against more governmental regulation of business, for currency stabilization, and for limiting governmental powers over banking and credit, so as not "to stimulate or maintain artificial prosperity." The program of the Chamber of Commerce of the United States is on the same general conservative lines.

## Silver Strategy

**Threatened by repeal of silver purchase act, white metal bloc is likely to dodge bimetallism issue in election year, urge deletion of mandatory purchase clauses.**

SILVER quieted down this week, market-wise, after its long price toboggan, but with the opening of Congress it was being politically refurbished. Secretary Morgenthau, who precipitated the price break when he checked his buying early in December, furnished the peg upon which quotations came to momentary rest this week.

Morgenthau's orders, placed around the 50¢ per oz. figure and scattered throughout the world's markets (*BW*—Dec 21 '35), gave foreign operators enough courage to resume fairly normal trading and helped to bolster London prices.

Largely disregarded in this country, where interest in silver is confined to a small group, the relief in tension was important in London and Bombay, where a respite from daily price drops meant rescue for speculators and brokers badly shaken by the 15¢ decline.

### Hold Strategy Meetings

Silver interests will not say the market episode is ended, but their attention now turns to Washington where silver may or may not become a major issue, depending upon strategy being laid in current conferences of the senators from the silver states.

Theirs is a perplexing quandary. They are Democrats and this is a Presidential year. Their silver program has been discredited in its present form and their silver purchase act menaced with repeal. The natural course would be an open fight for bimetallism, but to raise the issue would revive the "cross of gold" as an election issue, under circumstances

that predict defeat for them and trouble for their party.

But something must be done. This week, Mexico, which considered the silver program one of those rare good neighbor acts (last year, we bought its 75 million oz. production at good prices), sent Finance Minister Eduardo Suarez to Washington to learn what was coming next. Mexico has a new currency system based upon our support of silver, and doesn't want to be left in the dark. Two Congressional silver committees, due to report on the outcome of the program to date, will contribute other angles on the situation.

### Tactics Forecast

If the silver senators listen to their bimetallist allies in financial circles, their tactics will be of this type:

The Senate silver committee will report that Secretary Morgenthau has done the best he could under the circumstances. He was hampered by the few mandatory provisions of the silver purchase act which tipped his hand to foreign speculators, who realized his obligation to buy and pushed price up on him. In consequence of the price advance, silver-using countries were forced off silver instead of other nations being wooed to a greater use of it as the program contemplated. Finally, China was induced to quit silver and prepared to dump metal upon Morgenthau and acquire exchange to support its new managed currency. Morgenthau's suspension of buying became the only logical course in this situation.

Hence, the report will read, the pro-

gram can be saved, the Treasury's investment in silver salvaged, by rewriting the act to remove its compulsory clauses.

If that rewrite can be obtained, the Treasury can, with a free hand, use the program as a club to drive other nations into a stabilization conference. At that conference the silver interests would attempt to demonstrate the inadequacy of gold as an international monetary reserve metal and force upon other nations a bimetallic standard.

### Pittman Backs Morgenthau

Senator Pittman, current spokesman for the silver bloc, is laying the foundation for such an approach to the problem. He commends the Morgenthau tactics and hints of international monetary strategies that are frustrating the program. He is the one who put the international silver agreement through the World Economic Conference in 1933, the only agreement of that ill-fated meeting.

But Senator Wheeler, wildest and most reckless of all silverites—both economically and politically—who went to the Far East last summer for first-hand observation of the silver program effects, may insist on fighting openly for bimetallism.

## Berry Tries Again

**Coordinator's fan mail may help him crank the control machine that business shied away from at first Washington conference.**

THAT industrial council, to which Major George L. Berry, President Roosevelt's official coordinator for industrial cooperation, had expected to give birth at his ill-fated conference on Dec. 9, has been delivered by a correspondence school operation (as predicted in *Business Week*, Dec. 14) and is now scheduled to meet in Washington Jan. 6.

Those who had an opportunity to talk with Mr. Berry prior to his disastrous first effort reported that he was not at all sanguine of the outcome, but, nevertheless, had the attitude of a good stud-poker player who doesn't like the way the cards are falling but remains cheerful because he has "an ace in the hole." For Major Berry that ace consisted of a stack of letters which he received after his first call went out.

According to the Major, not all of them were complimentary, not all endorsed the principles of the conference or the defunct NRA, but there were a lot of them that did. And some not merely gave the old NRA a big hand but even proposed far more restrictive controls of industry than the NRA codes imposed.

It is expected that when the membership of the "council for industrial



progress" (as it is now styled) is announced, the list will include a large number, if not a majority, of names representing correspondents who did not attend the first conference but have been drafted since.

However, the Major is not yet content to accept as final the snub which business administered Dec. 9 when over 1,600 of its representatives attended his general conference and, after noting the organized-labor aspect of the setup, left only about 300 for the 44 scheduled round table meetings (*BW*—Dec. 14 '35), while the rest went home disgusted. Undaunted and "pursuant to an agreement with the President," Major Berry has written another letter to those trade associations which have not accepted his invitation for Jan. 6—a letter couched in carefully chosen words but with an intimation between the lines of more drastic measures.

#### Straight from the Fan Mail

That material for the agenda of the council meeting has been fished out of the Major's basket of fan correspondence is indicated by the statement that "a large number of statements, plans, formulae, and legislative proposals" received from industry, management, and labor are being correlated and summarized for consideration by the council.

Those familiar with Major Berry's aggressive methods and aware of the fact that he has been consulting frequently with the President, hark back to their early predictions that the council would be used as the vehicle for making Administration proposals look as though they originated with business, and that this would happen even if the council actually represents only a small slice of industry.

## Utilities Must Spend More

**Power company construction budgets show big advance as increase in industry's customers and load demands big expansion program despite political uncertainties.**

DESPITE all the threats, interference, and competition from the federal government, the electric power industry is going ahead in a big way. It can't help itself. Washington may be waving a club in front, but customers are pushing and prodding from behind. And 25 million customers can't be wrong.

Construction and expansion budgets just completed by the utility companies tell the story. *Electrical World* has made a checkup and finds that the power systems of the country have set up a schedule for capital expenditures in 1936 aggregating \$371,557,774. Last year it was \$237,463,487. This means a 56% increase. There's no exact answer to the question of what the industry would have done had it been free of uncertainty and fear, but in 1929 it spent \$866 millions, in 1930 \$961 millions.

#### Short on Capacity

Two things are forcing the larger expenditure this year: the need for about one million kilowatts in added capacity to carry the growth of load, and the extension of service lines into rural areas. This is already in process under the stimulus of government activities—TVA, REA, EHFA, and the ballyhoo for the "more abundant life."

If it were not for the political menace, the power industry would probably be helping the capital goods recovery

by adding 2 million kilowatts in new capacity this year, for it has always been the practice to build ahead of the load.

Roughly this money will be spent in this fashion: \$118 millions for generating capacity, \$209 millions on distribution systems and sub-stations, \$23 millions on transmission lines, and \$21 millions for miscellaneous equipment. In addition, nearly \$101 millions will go into system maintenance, which last year ran just short of \$92 millions.

#### \$2 Billion Business

Of course, this all means business for the manufacturers. The census valued electrical products in 1933 at \$549 millions, and *Electrical World* estimated \$700 millions in 1934 and \$850 millions in 1935. The indication is for a total volume of \$925 millions this year, at wholesale prices for the principal products. This will create a business turnover of something like \$2 billions in 1936.

Generating equipment, distribution transformers, power transformers, meters, and line material will be in strong demand; also motors and control equipment for factory modernization and lighting material. Domestic appliance business has been growing steadily throughout the depression. The total volume of this household equipment, much of it listed in other than electrical groups by the census and therefore not included in the preceding figures, in 1935 was about \$668 millions. Large gains are looked for this year, as a result of those rural extensions and the greater selling efforts which the utilities are now putting forth in the endeavor to build up domestic revenues to carry the lower rates and higher taxes. Also, as times improve, people are acquiring more electric comforts, and replacing wornout equipment.

#### Farm Customers Increase

Utilities' customers increased 2.1% in 1935, from 24,808,537 to 25,341,203. Of this number, 21,204,354 are domestic and rural, 3,772,007 are commercial—stores and offices—364,842 are industrial and wholesale. The largest single gain last year was in farm customers, from 743,954 to 793,977.

Power company revenues from ultimate consumers jumped from a total of \$1,837 millions in 1934 to \$1,923.5 millions last year. This is a gain of only 4.7%, because of higher expenses and lower rates, although the total energy sold grew by 10%, from 70,782 million to 77,355 million kilowatt



Harris & Ewing

**SOFT COAL PRICE FIXERS**—Producers and labor representatives meet with the Bituminous Coal Commission to find the best formula for price fixing. Left to right: Charles O'Neill, chairman of Producers Committee named by the commission; Percy Tetlow, commission member; Chairman Charles F. Hosford, Jr.

hours. Domestic revenues, for example, grew 5%, though 10% more energy was consumed in the home. Revenue from commercial customers rose from about \$511.5 millions to over \$536.5 millions, industrial from \$495.5 millions to \$532.5 millions.

Operating expenses of all the power companies, excluding taxes and overhead costs, jumped last year from \$857 millions to \$905 millions. Their tax bill mounted from \$246 millions to \$260 millions. Power company financing, in 1935, reached a total of more than \$1,063 millions, of which about \$1,037 millions was for refunding and only \$26½ millions for new capital. This large refunding program was to take advantage of the low money rates and the good credit of the utilities.

The largest recorded volume of financing by the power companies was in 1929, when the total was \$2,152 millions. Power company maturities in 1936 will go a little over \$59 millions.

## Retrofitting Industry

**Surveys and field trips show modernization under way along broad industrial front.**

A TOTAL of 500 budgets, aggregating \$938 millions for plant modernization and retrofitting, is reported to the National Machine Tool Builders Association by as many industrial concerns in a survey which that organization has just completed. Imposing as the total is, it is considered to represent only a small portion of the sum that is actually being spent or budgeted for retrofitting by industrial concerns. Practically every plant in an active and competitive industry is buying or building new machinery, scrapping old processes for new and cheaper ones, building extensions.

A *Business Week* editor, who has visited upwards of 50 important industrial plants during the last 6 weeks, found that fully three out of four were retrofitting or modernizing, and this applied to the small and large alike. Some had started early in 1935 on a program that would see their whole plant newly equipped by the end of 1936. Others were cramming a whole retrofitting operation into a single fiscal year. Several had no definite time schedule but were doing a plant-wide modernizing job just as fast as they could.

Few officials of these concerns were willing to talk about their operations, except on an off-the-record basis. This held true particularly where competitive conditions in the industry were bad, which meant that these manufacturers were getting ready to steal a march on their competitors, by improving processes and equipment so that they could meet price cutters and still make a profit.

## Radio in Revision

**Major Lenox Lohr named NBC head in shakeup of RCA executive personnel; Joseph P. Kennedy picked to draft recapitalization plan; NBC adds new Coast network.**

LITTLE over a year ago, Chicago's Century of Progress Exposition closed its doors, a record of unparalleled success behind it. Staged in the middle of the world's worst depression, it took rank as the first world's fair in history to break even, eke out a little profit.

Prime movers in that enterprise were Chicago's energetic Dawes brothers, Charles and Rufus. But their right hand man, general manager, and No. 1 trouble shooter, was Major Lenox Riley Lohr, engineer, soldier, and journalist.

### Like Problems, Like Tactics

Now Major Lohr will have a chance to apply those same crisp military tactics and the same scientific business regimen which he used in managing carnival concessionaires to operations in the kindred field of radio, replete with problems of temperamental talent and eager advertising interests.

This week, Major Lohr becomes President Lohr of the National Broadcasting Co., succeeding Merlin H. Aylesworth in that top radio post. Mr. Aylesworth will devote his time chiefly to duties as board chairman of Radio-Keith-Orpheum Corp., a post to which he was elected last month, and in addition, will fill the newly created office of vice-chairman of the board of NBC. Richard C. Patterson, executive vice-president of NBC, will continue in his present post.

### Explaining the Shift

The "why" and the "how" of the big shift are questions to which only David Sarnoff and fellow directors of Radio Corporation of America, controlling both NBC and RKO, can give final answers, but this week radio advertising men took note of these facts and fancies:

(1) Installation of the hard-hitting Major Lohr as head man of NBC will effectively clear up any question of the division of management authority which might previously have existed.

(2) Major Lohr is a close associate of the Dawes brothers, who in turn are close to Albert D. Lasker, head of Lord & Thomas, Inc., advertising agency for NBC and other RCA enterprises.

(3) Competition between the major chains has been hotter than ever and lately there have been several significant shifts in accounts.

(4) Complete transfer of its original 48.86% stock interest in RKO is regarded as an inevitable development in the near future. Floyd Odum's Atlas Corp. together with Lehman Bros. bought a half interest two months ago (*BW*—Oct 19'35), and it is assumed

they will exercise their option to purchase the remaining half of RCA's holdings long before the 2-year limit expires.

Simultaneous with the announcement of Major Lohr's appointment, RCA also made public the fact that the services of Joseph P. Kennedy, former SEC chairman, had been retained to make a "study relating to capital structure" of the corporation. Just ready to leave for a rest in Florida, Mr. Kennedy, who is widely mentioned as a possible addition to the Cabinet, took the Radio books with him to the South, stopped off at the White House en route, prepared to tackle the refinancing job at once.

### RCA Clears Up Situation

Speculation is rife as to the exact solution which Mr. Kennedy will propose to untangle RCA's remaining financial and stock issuance problems. Increased earnings, the outright sale of several properties, and the successful conclusion of debt-reduction agreements have already made possible rapid strides toward this objective during the last few years. In settlement of its \$11-million debt to General Electric and its



*Wide World*  
**SOLICITOR STEPS UP**—Lyle C. Alverson, solicitor for the National Emergency Council under Frank C. Walker, moved up as acting director when Mr. Walker tendered his resignation to the President.



Kochne

**LOHR GOES HIGHER**—As president of NBC, Lenox Lohr is handed a job where his training as an army man and as a successful World's Fair executive will stand him in good stead.

\$6-million obligation to Westinghouse, RCA in 1932 transferred to G.E. its building at 51st and Lexington in New York City, issued debentures in the amount of \$1.6 millions to G.E., and \$2.7 millions to Westinghouse. In the year past, RCA cleared up this debenture issue.

In January, the corporation paid up accrued dividends amounting to \$9.62½ a share on the outstanding 495,597 shares of 7% cumulative \$50 par preferred A stock. Still unsatisfied are accrued dividends amounting to \$21.25 a share at Dec. 1 on the 767,275 shares of \$5 no-par preferred B stock. And no dividend has been paid on the 13,130,690 shares of common stock outstanding.

#### Recapitalization Opportune

Factors in RCA's cash situation which make a revamping of its stock structure feasible at this time include the following: (1) Cash on hand at the end of 1934 amounted to \$15 millions, almost \$10 millions of which have been paid out to satisfy the A stock accrued dividends and retire debt. (2) Radio is expected to realize \$10-\$12 millions on the completed sale of RKO, terms of which have never been announced. (3) Two months ago, the corporation sold to British interests its holdings in Electrical & Musical Interests, Ltd., amount-

ing to 1.7 million shares or 29.2% of the British organization's outstanding stock. This yielded \$10.2 millions in cash, \$400,000 in interest. (4) All RCA divisions in 1934 recorded encouraging net gains, and for the first 9 months of 1935 RCA reported a net profit of \$2,801,123—thanks in good part to NBC's gain—which compares with 1934's 9-month net of \$2,177,771.

So far, 40 recapitalization plans have been proposed and rejected. Mr. Kennedy's solution is expected to contemplate the eventual establishment of only two kinds of dividend-paying stocks, one common and probably one non-cumulative preferred. In anticipation of the recapitalization, both A and B stocks have enjoyed a good play on the Stock Exchange.

#### New Coast Hookup

This week, from NBC came one other piece of news—this from the offices of Executive Vice-President Patterson. A five-station Pacific Coast network, embracing KECA, Los Angeles; KGO, San Francisco; KEX, Portland; KJR, Seattle; and KGA, Spokane, has been established in affiliation with the basic Blue Network, for use on coast-to-coast coverage. A few years ago, NBC had both an Orange and a Gold network on the coast. These were later consolidated in a Pacific Coast extension of the basic Red Network. With the establishment of the Pacific Coast Blue, the five stations which will be available for users of the basic Red who want Coast coverage are KPO, San Francisco; KFI, Los Angeles; KGW, Portland; KOMO, Seattle; KHQ, Spokane.

### Insull in the Air

**Middle West veteran and Ota Gygi plan a third network.**

SAMUEL INSULL and Ota Gygi are staging a double comeback, Mr. Insull from the voluntary retirement which followed the collapse of his Middle West Utilities empire in 1931 and Mr. Gygi from his ill-starred venture with Ed Wynn into the chain broadcasting field in 1933. Another chain, to be known as the Affiliated Broadcasting Co., will serve as the *deus ex machina*.

There's a long road ahead, involving endless deals with small radio station officials and lengthy sessions with the Federal Communications Commission, but this week the two partners, backed by the money of friends, which the firm of Winthrop & Mitchell helped raise, took the first definite steps along that path. On Monday night, in the one-time Insull penthouse atop the one-time Insull Civic Opera Building in Chicago, they presented their plan for a chain of low-power local stations to Middle West operators. Apparently, the

Michigan Network, around which Gygi tried to build his American Broadcasting System in 1933, is again the object of the promoters' affection and again visions of a third national hookup are in full flower, despite the fact that no one has yet plucked this hardy perennial. (Mutual Broadcasting System can scarcely be identified as a national chain.)

The big problem in a third chain which nobody else has been able to lick is this: to secure advertising revenue, the chain must command listener attention; to hold that, it must broadcast Class A programs, able to compete with those of the big chains; to finance such shows, it must have advertising revenue, thus the vicious circle is complete. Unless and until the chain solves this problem, member stations are not likely to find their franchises worth what they cost, for prestige and audiences will not be sufficiently increased to attract a compensating volume of local advertising to them.

The present situation, however, is more auspicious than ever for a third network, for with the increase in demand for time on the air both big chains find it hard to satisfy clients. Power boosts with probable rate increases also sweeten the picture.

### Camera Invasion

**Radio maker fills a seasonal valley with \$12.50 candid camera.**

A MIDDLE WESTERN maker of radio sets is about to invade the candid camera market with a popular-priced miniature speed camera which is giving other manufacturers in this field considerable to think about.

For some years C. A. Verschoor, president of International Radio Corp., has been looking for some product that he could make and sell during those four or five warm-weather months when radio set sales are in the doldrums and his sales curve generally hits the toboggan. He didn't like oil burners, washing machines, refrigerators, or any other major appliances because these harmonized neither with his production setup nor his sales ideas. He wanted something small, something that already had ample public acceptance, something that would sell at a volume-building price. He found what he wanted in the candid camera.

The new Argus miniature camera is about to break into the market at \$12.50 retail. The casual observer, seeing it at a distance, could mistake it for Germany's most popular precision photographic apparatus—the Leica made by E. Leitz. Its dimensions, 2½"x5", are almost identical, the handling of its lens adjustment for distance is somewhat smaller, it has a gear-operated



shutter, and, like the Leica, it uses the standard 35 mm. film, has a 1-to-36 exposure counter on top of the camera.

However, as its retail price is approximately one-tenth that of the lowest-priced model in the line of its aristocratic imported pathfinder, there are naturally differences. For instance, it has a Rochester-made F 4.5 lens and shutter speeds down to 1/200th of a second against the F 3.5 lens and 1/500th second-splitting of the foreign model, and, while the latter has a bronze case, the Argus body is molded from phenol plastic.

Besides opening up a new market among candid camera enthusiasts who can't afford luxuries, the company is planning special inducements to attract high school and college students. It has under development a microscope attachment for student's laboratory experiments, also an enlarger and projector, and in all of these the camera lens and housing will be utilized. The growing popularity of color photography is to be capitalized through making available to users of the Argus a simple and self-contained developer.

## Offices for a New Year

**Hershey's windowless office building leaves convention behind in the search for efficient working conditions.**

WINDOWLESS—woodless—draftless—almost noiseless. That describes the new 150'x350' office building which Hershey Chocolate Corp. boasts as its New Year's present and occupied this week.

When W. F. R. Murrie, president of the company, set the architects and engineers to work on plans for this new building he laid down one fundamental requirement that he wanted fulfilled as far as modern science would permit, "controlled conditions—of light, of temperature, of noise, of safety." He was told that to meet those ideas would mean radical departures from accepted practice, would demand some experimenting, might mean increased costs of construction and upkeep. He stood pat on his demands and now he has what he wanted.

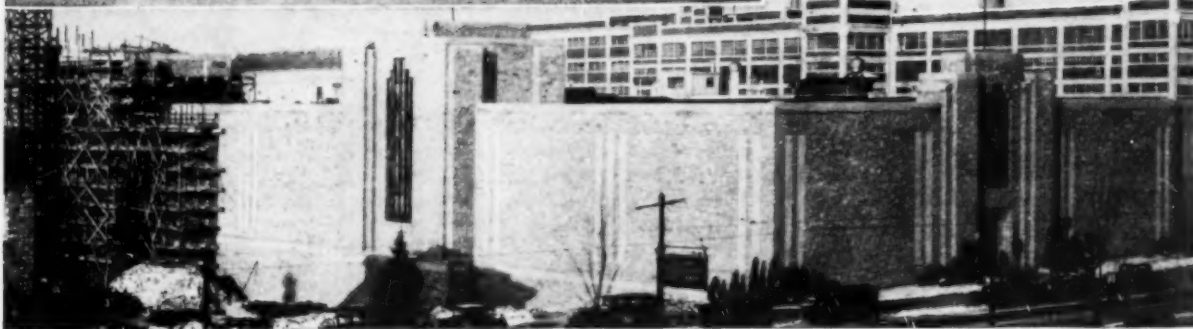
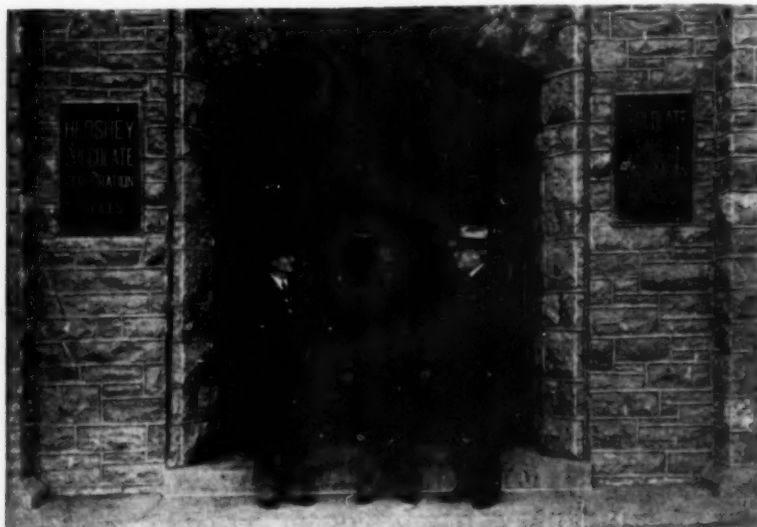
While the solemn, even sombre, exterior of the new building would make

the uninitiated ponder its purpose, all speculation is dispelled when the threshold is crossed, and the visitor who inspects the new structure will look in vain for a place or point in which President Murrie's ticket is not fulfilled.

Light control is complete, for even on the brightest day no daylight can filter through anywhere. By using fixtures that combine General Electric's mercury vapor and Mazda light and an ingenious lens arrangement which give the light rays a slightly rosy hue, the largest room or smallest office appears flooded with the kind of sunlight that early risers may observe on a bright morning just before the sun gets high enough to lose its reddish glow. Lighting units are spaced so closely that, throughout the building, a minimum of 20 footcandles is given at the desktop working level.

Provisions for temperature control are complete in all details; one of the York Ice Machinery Corporation's air conditioning systems gives year-round automatic control of temperature and humidity throughout the building. All air is filtered and washed before it enters any occupied portion of the building. In cold weather it is humidified and heated. In hot weather air will be dehumidified and two York 135-ton compressors and the Freon system will do the cooling job.

However, despite such complete conditioning service, visitors will look in

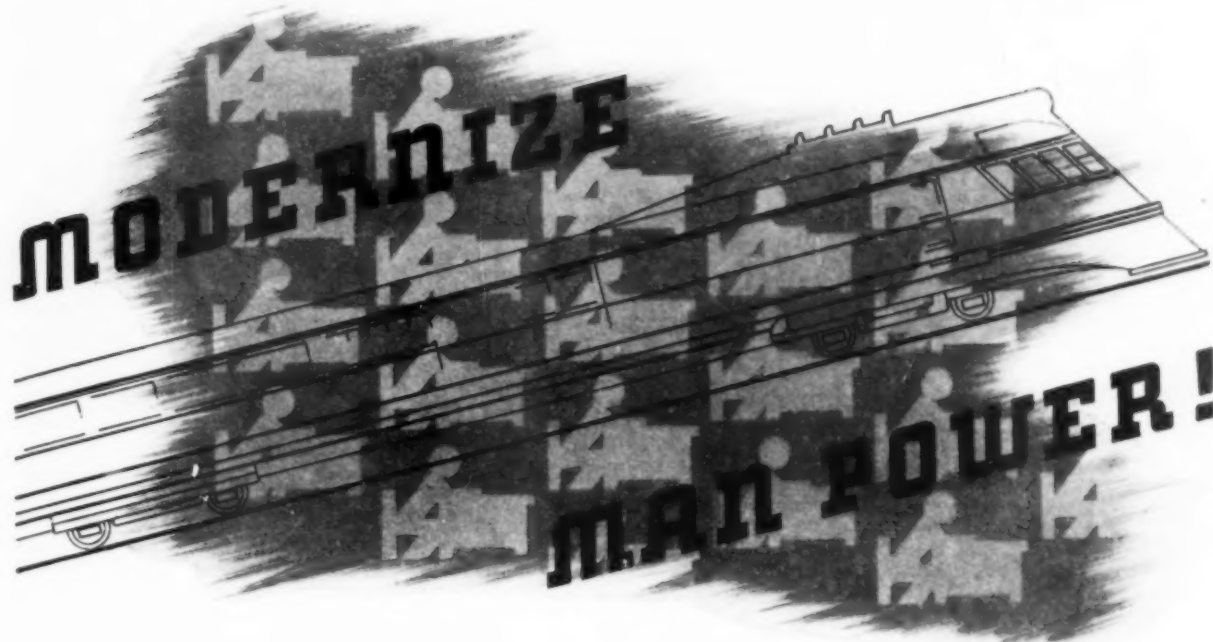


**NOTHING MISSING BUT WINDOWS**—Every modern convenience, all possible equipment is present in the windowless Hershey building. Yet construction cost is probably no more than in conventionally-designed buildings (such as the old Hershey plant in background) according to official reports. Strong be-

lievers in the merits of the new style are the men who built it—left to right, inset: A. B. Snively, Hershey's chief engineer; W. F. R. Murrie, Hershey's president; W. S. Shipley, president of York Ice Machinery Corp. which had the job of installing a year-round system of air-conditioning.

*Business Week*

# THE 1936 CHALLENGE TO AMERICAN BUSINESS:



● **MODERNIZATION** of machinery and equipment is essential in this highly competitive business age. Old-fashioned methods of manufacture and merchandising must be discarded. New days demand new ways.

But what about your man power—is it in tune with the times? Does your personnel have the training to handle 1936 problems in 1936 style?

To the executive to whom modernized

training is a major problem, the International Correspondence Schools offer an adequate service designed to increase efficiency and revive morale. I. C. S. is the educational agency that can modernize man power. The attached coupon suggests some of the courses that are helping do this all over the world. Ambitious individuals, in addition to executives, are invited to mark and mail it.

## INTERNATIONAL CORRESPONDENCE SCHOOLS

BOX 7231, SCRANTON, PENNA.

★ Without cost or obligation, please send me a copy of your booklet, "Who Wins and Why," ★ and full particulars about the subject *before* which I have marked X:

### TECHNICAL AND INDUSTRIAL COURSES

☐ Architect  
☐ Architectural Draftsman  
☐ Building Estimating  
☐ Contractor and Builder  
☐ Structural Draftsman  
☐ Structural Engineer  
☐ Electrical Engineer  
☐ Electric Lighting ☐ Wiring  
☐ Telegraph Engineer  
☐ Telephone Work ☐ Radio  
☐ Refrigeration

☐ Welding, Electric and Gas  
☐ Reading Shop Blueprints  
☐ Machinist ☐ Toolmaker  
☐ Patternmaker ☐ Boilermaker  
☐ Sheet Metal Worker  
☐ Plumbing ☐ Steam Fitting  
☐ Heating ☐ Ventilation  
☐ Pipefitter ☐ Tinsmith  
☐ Air Conditioning  
☐ Automobile Mechanic  
☐ Coal Mining ☐ Navigation

☐ Bridge Engineer  
☐ Bridge and Building Foreman  
☐ Highway Engineer  
☐ Civil Engineer  
☐ Surveying and Mapping  
☐ R. R. Locomotives  
☐ R. R. Section Foreman  
☐ R. R. Signaller  
☐ Air Brakes ☐ Train Operation  
☐ Diesel Engines  
☐ Aviation Engines

☐ Mechanical Engineer  
☐ Mechanical Draftsman  
☐ Steam Engineer  
☐ Steam Electric Engineer  
☐ Marine Engineer  
☐ Chemistry ☐ Pharmacy  
☐ Cotton Manufacturing  
☐ Wooden Manufacturing  
☐ Agriculture  
☐ Fruit Growing  
☐ Poultry Farming

### BUSINESS TRAINING COURSES

☐ Business Management  
☐ Office Management  
☐ Industrial Management  
☐ Personnel Management  
☐ Traffic Management  
☐ Accountancy

☐ Cost Accountant  
☐ C. P. Accountant  
☐ Bookkeeping  
☐ Secretarial Work  
☐ Advertising ☐ French  
☐ Salesmanship ☐ Spanish

☐ Complete Commercial  
☐ Business Correspondence  
☐ Stenography and Typing  
☐ Civil Service  
☐ Mail Carrier  
☐ Railway Mail Clerk

☐ Grade School Subjects  
☐ High School Subjects  
☐ College Preparatory  
☐ Illustrating  
☐ Cartooning  
☐ Lettering Show Cards ☐ Signs

Name..... Age..... Address.....

City..... State..... Present Position.....

If you reside in Canada, send this coupon to the International Correspondence Schools Canadian, Limited, Montreal, Canada



**FARM CREDIT COOPERATOR MEETS THE CHIEF**—S. D. Sanders, Seattle expert on farm cooperatives and newly-appointed Cooperative Bank Commissioner of Farm Credit Administration, sits down to lunch with his new Chief, Governor W. I. Myers, in Washington. Busy times are these, for both of them—the telephone kept handy on the luncheon table may ring at any time.

vain for any visible evidence of it. Under-floor ducts carry the conditioned air to well-concealed outlets in the various offices while all doors are provided with louvers through which the "used" air passes to the corridors which are designed to act as the return ducts.

#### Noise at a Minimum

When it came to noise control, the results obtained, according to one insider, are even more than Mr. Murrie bargained for. The ceilings have a 1-inch padding of Armstrong Cork Co.'s acoustic cork while the floors throughout are covered with heavily cushioned linoleum tile. This combination proves so effective that neither footsteps nor echoes will disturb the workers. Then to confine the noises from mechanical office devices as far as possible, practically all office machines are assembled in one huge room which has had special acoustic treatment and walls covered with Sabonite acoustic plaster. Here the operators will hear little more than the clicks of their own machines.

Obviously the sky was the limit when it came to planning the safety features of the building. There is not a stick of wood in the whole structure, not even in furniture, and the slender slivers of wood on pencils will be about the biggest thing a fire could feed on. All the office furniture, from the president's desk down to the office boy's stool, is of steel and brand new from the Shaw-Walker Co., while the furniture in reception rooms and lounges is of aluminum or steel tubing. The whole building is sprinkler-protected with many of the new Grinnell side-wall ejectors used to leave ceiling spaces clear and more decorative. The vaults in which the company's records are kept has a separate Lux carbon dioxide protective sys-

tem, which is automatically controlled and would put out fires without damage to papers or books.

Aside from making the structure itself the last word in what modern methods can offer, several other innovations have been introduced.

For instance, the directors' room, an imposing hall 25'x45', is not arranged in the conventional manner, with a huge, formidable looking table in the center surrounded by a flock of stiff-backed, strictly formal bishops' chairs. Instead it gives the appearance of being the loungiest lounge in the swankiest sort of club. It has an imposing fireplace and scattered around are soft-upholstered tubular arm chairs, covered in gay-colored leathers. The inevitable table, of much smaller size than the room would warrant, is relegated to the far end, where it is just possible that it might serve as a buffet.

The company has also abandoned the usual house switchboard in favor of a 111-station automatic telephone system of the Automatic Electric Co., which is equipped with the new "conference" service. By dialing a certain combination of numbers, up to 10 of the company's executives can hold a conference over the phone, without any of them leaving their desks.

#### Hot Cocoa For All

The construction of this revolutionary building has been the talk of the countryside for miles around "the chocolate town." Last Saturday the Hershey Chocolate Co. had open house. Everybody who came was taken through the building, and then sent away, cheered by a cup of hot cocoa. When the closing bell rang, at 9 p.m., the clockers had counted 13,866 persons—in a town that boasted only 2,060 in 1930.

## Coal Price-Fixing

**Appalachian Area has not succeeded in establishing prices. Washington sets deadline and says, "We will."**

SOFT coal men are in a tough spot. Prices are less than at any time since pre-NRA and still falling.

Meanwhile, suits against the Guffey coal control act clutter the courts and the Supreme Court has just bypassed the circuit courts, by advancing the date when it will consider the constitutionality of the law and maybe push the whole thing out the window. Whereupon Congress will probably pass another law because labor demands it and there is no apparent hope that the industry can comb out its chaos for itself.

The Guffey act calls for the fixing of minimum prices in all districts to establish a fair relationship between the prices of all districts in each area. This has been effected in several small districts. But in Minimum Price Area No. 1, which comprises Illinois, Indiana, Iowa, and everything East it is another story. The same old conditions that bedeviled the code makers have frustrated all efforts to conform with the law. Operators are willing but competitive conditions, traditions and economic barriers have been insuperable.

#### Uncle Sam Cracks Whip

So as Area No. 1 produces 80% of the bituminous output, Washington is cracking the whip. The bituminous coal commission last week directed the Appalachian producers to fix minimum coal prices by Dec. 27. When they couldn't they were called to the national capital and have been told to stay there and wrestle with it until they find the answer.

The commission frankly has its fingers crossed. For it has raised the point as to whether the method for establishing prices provided in the act is at present prejudicial to any district "with respect to the fair opportunity of such district to market its coal." The act provides that "prices shall be established so as to yield a return per net ton for each district, in a minimum price area, equal as nearly as may be to the weighted average of the total cost per net ton of the tonnage of such area." But in some cases this average may raise the price in a locality too high and kill its market.

It is easy to say establish reasonable rules and regulations to cover the distribution and sale of coal within a district but where present practices are in conflict agreement is not easy. Also, in addition to the maze of technical difficulties in fixing coordinated prices for so large an area, the numerous suits to test the constitutionality of the Guffey Act cast doubt upon the necessity or desirability of doing anything about it.





## Your Son's Future?

WHATEVER work your son undertakes, he will be much more likely to succeed if he has special training and a real chance to get started.

Will he have to accept the first job that offers — no matter what kind of work it is? Or will he be able to start his career logically—even if it means working, at first, for smaller wages? The answer may decide your son's entire future.

Just as you prize his health and happiness today, you will be ambitious for his success later on. So why not assure him the chance he deserves? Through a Life Insurance Program you can provide both money for his training and necessary funds for that difficult period while he is becoming of real value in his work.

A Field-Man will gladly outline the Program best suited to your circumstances. Telephone your local Metropolitan office and ask him to call . . . or mail the coupon.



*The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.*

*The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.*

## METROPOLITAN LIFE INSURANCE COMPANY

Frederick H. Ecker, Pres. One Madison Ave., New York, N.Y.

Metropolitan Life Insurance Co.  
1 Madison Avenue, New York, N. Y.

(W)

I am interested in learning more about a Life Insurance Program which will provide for my son's future.

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_

©1935 M. L. I. CO.

# Beer With a Collar

**Brewing industry worries over federal regulations but realizes its big job is to regain old consumption rate.**

PRINCES of pilsener, barons of bock will gather in Washington next Tuesday and Wednesday with proposed new brewery regulations on the table and a good volume of protest ringing clear. Federal Alcohol Administrator Franklin C. Hoyt will receive the industry's criticism on control of identity standards, labeling, advertising for beer, and of aids to retailers of beer, wine, and liquor.

Most of the restrictions on fair trade practices, labeling, advertising, etc., follow the old NRA era rules, are not expected to provoke much opposition. Protest is looked for on establishment of definite standards for types. An attack is brewing on the fixing of a 5% minimum alcohol content for ale, porter, and stout because such definition would outlaw those varieties in states prohibiting beverages above 3.2% alcoholic.

## States Must Concur

Industry emotions should be tempered by admissions that the federal regulations are mostly "educational." They can be enforced only when they parallel state laws. Moreover federal wordage includes one of those indefinities which make lawyers tear their hair; regulations are to apply where a state "imposes similar requirements." Question: How much alike is similar?

Major brewers are expected to endorse the mild exceptions to tied houses (controlled outlets) and the restrictions on giveaways, whether fixtures, money, signs, or services. Such evils carry over from the old days when brewers forced exclusive sales of their products by widespread ownership of retail premises and fixtures, by lavish allowances. Competition for choice locations drew brewers into municipal politics. Intelligent brewers deplore a return to such devices—especially at this time when sporadic outbursts of prohibition sentiment prove that dry crusaders are not dead but only waiting for the wets to slip.

## Beer Taste Slips Badly

Looking both ways from the second full year of repeal, the industry sees changes that would stagger the stolid old brewer of yore. This patriarch considered the national beer thirst as a matter of course. But the taste has slipped badly and a lot of smart selling will be required to bring it back.

Before the big war, beer consumption averaged 23.87 gal. per capita annually in legal territories. In 1934 it was 10 gal. per capita, or less than half the old figure. For 1935 there was a slight rise, to an estimated 11.4 gal. per capita. The nation's beer drinking between

1910-1915 averaged 62,318,000 bbl. (31 gal. each). Despite a recent spread of legal beer areas and a 40% increase in the potential market (only incorruptible Alabama now bans beer) the 1935 total consumption is figured at only 46,000,000 bbl. Nor can brewers borrow the distillers' complaint of extra-industry competition, for home brew is no longer a problem.

## A Plethora of Producers

There isn't much sales officials can do about overproduction. When repeal became inevitable, stock promoters seized the chance to stimulate imagination and investments. In April, 1933, there were only 164 units in the industry. By last May there were 675 breweries with a capacity of 90 million bbl.; their potential output was only 10 million bbl. less than the 1,392 breweries operating in 1914 when per capita drinking was twice as heavy. Results run in a sad but familiar sequence: price-cutting, a high mortality rate for the under-capitalized, wails from bereaved stockholders. The breweries which gave up the ghost last year relieved prices somewhat.

Price pressure from one direction meeting higher taxes and other costs from another made thinner margins inevitable. Few brewers can equal the 75¢ to \$1 a bbl. profit which ruled the pre-prohibition market. To the current federal levy of \$5 a bbl. is added a \$1 tax by many states; in the good old days a \$1 federal excise was the only tax burden.

## Sales Expansion a Mistake

An error in distribution (emphasized in a recent beer survey by Standard Statistics) was an attempt by revived brewery units to cover too much territory. Formerly a few big companies promoted national brands and distribution, but most were content with local markets. After repeal too many companies tried to cover large areas in the face of reduced profit margins with higher distribution and selling costs. Trend now is back toward concentration on smaller territories.

Prohibition inured a new generation and millions of women to liquors with a swift, hard kick. During that tragic era, good beer was hard to find, hard to pay for. Meanwhile, women developed a horror of fat. The persisting picture of the beer-drinking woman is a Munich matron with double chins running all the way to her ankles. Here is a field for advertising defense.

So far advertising hasn't a great deal to cheer about in the beer field. One excuse is the traditional conservatism of

brewers. But a passing of the old timers with shifting distribution should operate to the advantage of new ideas. Grocers and other retailers afford thousands of new outlets for beer. A newcomer in packaged beer is the ½-gal. bottle which is going strong in many localities.

The most revolutionary change in beer marketing came from outside the brewing industry with the introduction by the big can companies of beer in tins. American Can, Continental Can, National Can have gone into this market in a big way. At first, conservative brewers scoffed at the idea of consumers accepting beer in a container that didn't show the contents. But can promoters bore down hard on the arguments that tinned beer abolished the nuisance of returning cases of empty bottles, that cans conserved space, that cans saved the brewer time in pasteurizing. Such arguments, plus thorough market research, have had astonishing success.

## 10% of Beer in Cans

The American Institute of Food Distribution estimates that cans made up 8% to 10% of packaged beer in 1935, that the percentage will reach 25% for 1936. Bottle interests have retorted to the attack with new products and publicity. Owens-Illinois produced a throw-away bottle ("stubby") for which huge sales are claimed. This company also recently hired F. A. Prah, who was vice-president in charge of engineering for Continental Can, thereby giving rise to the rumor that Owens-Illinois planned a counter-attack through beer can production.

While the can companies, by advertising to the consumer, are building demand for their containers, bottle makers seek to tighten their traditional alliance with the brewer. Producers are being informed by bottle interests that packaging of beer in bottles cost about \$10½ millions annually, that packaging the same volume in cans will cost \$90 millions. Bottles can be used over and over. Also tin is imported while bottles are made from limitless domestic raw materials.

## Dispute Success in Richmond

The Glass Container Association is also publicizing a checkup of Richmond, Va., where tinned beer was first introduced (by American Can). From initial sales of 10%, it is claimed that canned beer has slumped to less than 5%.

Over this famous controversy lies the undeniable fact that most drinkers prefer draught to packaged beer. For 1934 bottled beer was about 26% of total consumption, approximately the same as before prohibition. The ratio rose to 29% for the first 8 months of 1935. It is an improvement, but not enough greatly to encourage the bottle and can companies which are trying to alter the national taste.

*More Royals were sold in 1935 than in any previous year*





# Shippers and Carriers Talk

**Railroad men, truckers, and customers get together for cooperative study of problems; some chance of success in joint action but bitter battle is foreseen on proposed repeal of long-and-short-haul statute.**

WHEN a joint committee of railroad men, truckers, and shippers met last Monday (Dec. 30) in a secluded Washington hotel it was not the first time that an attempt had been made to foster cooperative consideration of transportation problems, but it was the first attempt with some chance of success. The formal overture was made by the truckers, who are painfully aware that the railroads are still sufficiently robust to run them ragged. It is significant, however, that the suggestion first came from a shipper—L. F. Orr, general traffic manager of Pet Milk Co., St. Louis, and chairman of the shippers' representatives subsequently appointed from the National Industrial Traffic League.

## Common Grievance

If railroads and truckers have any genuine feeling in common it is their grievance against shippers. Rate reductions usually come after customers put the heat on rail or highway carriers by playing them against each other. Thoughtful shippers, however, do not endorse competition that threatens to deprive them of adequate service.

Railroads did not respond enthusiastically to the proposal for a cooperative setup but J. J. Pelley, president of Association of American Railroads, agreed to go along when Transportation Coordinator Eastman took a hand. Railroad men generally still feel that it is up to them to wade in and force regulation of trucks. Many of them are still thinking in terms of more restrictive legisla-

tion, taxation, and limitation on weights. Truckers are bitterly opposed to repeal of the long-and-short-haul statute, and railroads are trying to push the repeal through Congress this session. Exemptions granted by ICC permitting railroads to make rates without regard to intermediate destinations have given them one of their strongest weapons in fighting truck competition.

American Trucking Associations, Inc. will have no legislation to propose to Congress. The motor carrier act enacted last session is still too new to reveal imperfections that call for immediate repair. Farm organizations will demand complete exemption from the law, and a move is on foot to organize private carriers which, when traveling interstate, also are subject to such safety requirements (including hours of service of employees and standards of equipment) as the commission may prescribe.

## Rate-Cutting Live Subject

Discussion at the first meeting of the joint committee of shippers and carriers was rather cold, as was to be expected, but warmed up considerably on the subject of competitive rate-cutting. Honest exchange of opinion between railroad men and truckers and outline of shippers' position were particularly appropriate, inasmuch as agencies set up by truckers throughout the country now are preparing tariffs for filing with ICC by Jan. 15. (This date will again be postponed, however, as the commission has not yet issued its rules on filing. Based

on the commission's rail tariff circular, these are still in too complex a form to be practical, in the opinion of many truckers.)

Truck tariffs prepared by 25 regional bureaus will be coordinated for application to inter-line freight following a meeting in Cincinnati Jan. 3-4. The agency method of filing tariffs has not been officially approved but has been suggested by the commission as the practicable method of setting up the rate structure for thousands of individual for-hire truck operators subject to its jurisdiction.

## Classification Ratings

American Trucking Associations, Inc., is compiling a uniform classification of freight ratings for application throughout the country. In the rail freight classification 85% of all items carry the same ratings in East, West, and South. For truck use, rail classification ratings will be adopted but will be compressed for universal application into one column, with exceptions noted if the rating changes territorially. Rates based on this classification will be substantially the same as rail rates, with variations dictated by character of freight and length of haul.

In taking the initial steps in administration of the new law, ICC is proceeding slowly and carefully. Apart from the mechanism set up for handling applications for certificates and public convenience and permits to operate, conferences with truck and bus operators are in progress on safety requirements and insurance. The truck bill of lading will not limit the carrier's liability for damage to cargo, but the insurance companies are certain to do so. On public liability and property damage, the minima have not yet been fixed. In most states the minimum on trucks is \$5,000-\$10,000, on buses, \$5,000-\$50,000. National Association of Motor Bus Opera-



KEESHIN "KLIPPERS"—Unabashed by recent rail and air transport records, Keeshin Transcontinental Freight Lines, Inc., shot five of its huge motor carriers out of Chicago, bound for

the coast. Four days later they rolled into Los Angeles, after a highway journey which was broken only for fuel stops at stations previously indicated along the route.



THIS TRAILER is built of light, strong Alcoa Aluminum. The builder has saved so much dead weight that the operator can, for example, carry the following extra loads every trip:

- 30 extra quarters of beef, or
- 50 extra cases of beverages, or
- 35 extra sacks of cement, or
- 200 extra vacuum cleaners.

This extra load adds not one pound to gross weight, nor one dollar to operating cost. The extra load is extra profit.

Running empty, the light weight of the trailer saves wear and tear on tires and tubes and tractor, and consumes less gas and oil.

If the service requires an insulated body, still more weight can be saved by insulating with

Aluminum Foil, which has only *one-fiftieth* the weight of equivalent cork insulation.

Construction with Alcoa Aluminum takes dead load out of the body and puts pay load inside. That is because Nature made Aluminum light, and research has made it strong, and tough, to stand the gaff.

Alcoa Aluminum eases the burden of excess weight wherever weight impairs efficiency. Anything that moves, or must be moved, will operate better, at lower cost, and with greater convenience, if it is made light with Alcoa Aluminum.

The day of needless weight is done. There is *some* place in your business where making something light, deliberately, will show you a profit. Ask us to help you find it. ALUMINUM COMPANY OF AMERICA, 1804 Gulf Building, Pittsburgh, Pa.

ALCOA  ALUMINUM

tors will demand a hearing if the commission proposes to raise these limits.

Many other provisions of the motor carrier act are in process of digestion, but will not materialize in administrative practice for some time to come.

## Truck Coup

**California lets railroads and common carrier trucks drop cement rates to meet rising competition of plant-owned vehicles.**

A BRAND new apple of discord has been tossed into the freight transportation orchard in Southern California. The new fruit is in the form of a truck, called a "plant facility truck," and is scaring both the railroads and the common carrier trucking systems out of their shirts by a rapid and aggressive growth.

It works like this: A productive plant serving the Los Angeles area, for example, suddenly finds on its doorstep a rate engineer, an individual who looks delivery costs in the eye and comes out with a scheme by which the company operating the plant can buy its own trucks and make its own deliveries and can do it for 15% or 20% less than the railroads or common carrier trucks whose rates are rigidly regulated. Some truckers say the engineer works for truck manufacturers.

### Allows Cut in Rates

The company operating the plant, after one hasty glance at the rate engineer's figures, calls in the railroads and truckers and asks, "Can you tie that?" They can't. Result—the company gets its own trucks, makes its own deliveries. It has happened too often for comfort around Los Angeles. And therefore, at the urgent request of the Los Angeles & Salt Lake R. R., Pacific Electric Ry., Southern Pacific, Santa Fe, and Pacific Freight Tariff Bureau (representing several local truck lines), the California Railroad Commission has ruled on rates in the cement industry, decided that the roads and common carrier truckers should be allowed to drop their rates to meet the competition, and, recognizing the threat of the plant facility truck, added that it would favor even lower rates if necessary to stop the spread of competition by the plant facility system.

The Los Angeles cement market story is a sad one from the railroad angle. In 1929 the railroads got all the business from outer cement mills into the city at 8½¢ per 100 lb. By 1934 the trucks had driven the railroads crazy with rate-cutting and the roads got permission to come down to 7¢ to meet the competition. Now, with both the railroads and common carrier trucks under rate regulation, the new company-owned truck, beyond reach of rate regulation, has them both catching butter-

flies, and the Railroad Commission has dropped the rate to 6¢.

To the railroad and the regulated trucking industries of California, the new development in freight transport is a lot more than just fun on the highways. They look upon it as a definite threat and they are besieging the Railroad Commission to do something about it. The cement ruling is the first answer of the commission. Incidentally, the case marked the first use of the truck rate regulatory powers granted the commission by the legislature in 1935.

As a sideline, California freight interests are wondering if the fact that greatest 1935 gains in truck sales were on the Pacific Coast (*BW—Dec 21 '35*) has any connection with the rise of the plant facility system.

## Mid-America Mystery

**Does 1933 law give ICC an opening into Van Sweringen epic?**

THERE'S a mystery about Mid-America Corp. that tantalizes the ICC.

Since the Van Sweringen brothers bought back working control of their railroad properties at auction (*BW—Oct 15 '35*) the setup supposedly has been essentially the same as in the past, under another name. But the commission now has authority that it did not have when the Van Sweringens assembled their rail empire. And their comeback was the first important multi-railroad deal since Congress (in the transportation act of 1933) declared it unlawful to acquire control of two or more railroads without commission permission.

Mid-America, the new holding company, did not stand on such formality in buying in the stock of the old Alleghany Corp. and the commission is curious about the transaction.

### Tries the Back Door

Before barging into a formal investigation in which it might come off second-best, the commission this week went around to the back door to find out whether the facts establish its jurisdiction over the new corporation. George A. Tomlinson, Cleveland colleague of the Van Sweringens and a director of Mid-America, recently applied for permission to serve as director on Fort Worth Belt Railway, a subsidiary once removed of Missouri Pacific. The commission not only has set down this application for hearing on Feb. 3 but has reopened orders authorizing Tomlinson to hold directorships on Missouri Pacific and other Van roads. According to the commission, a determination of the Mid-America's activities is "material" to a decision on whether public or private interests would be affected adversely by Mr. Tomlinson's ubiquity as a director.



*Harrie & Ewing*

**COOKE MOVES, SCHRAM STEPS IN**—When Morris L. Cooke resigned from Electric Home and Farm Authority, Emil Schram got the nod from Jesse Jones and stepped in as president. He formerly headed Drainage, Levee and Irrigation Division of RFC.

## Utility Rate War

**Southern California gas companies offer three-use discount plan, answered by electric rate cut.**

THE prospect of Boulder Dam power is already affecting the Southern California utility field, where keen competition for the consumer's dollar has broken out between gas and electric companies.

First move came last week when three gas concerns, Los Angeles Gas & Electric, Southern California Gas, and Southern Counties Gas, adopted a new promotion technique, announced a 15% discount on bills of all consumers using gas exclusively for the three main purposes of cooking, water heating, and house or building heating. The rate is effective Feb. 15, applies on bills over \$2 and under \$25. This will be the first time any utility has offered the three-use discount plan.

Los Angeles Bureau of Power & Light (municipal) countered with a slash of 10% on all classes of business effective Feb. 1, a saving of \$1¼ millions annually to electricity users.

A joint statement by the presidents of the gas companies says their new rate is aimed at increasing the use of natural gas in homes, particularly for automatically-operated water heaters.



# V-8 ECONOMY

**PROVED ON THE WORLD'S GREATEST PROVING GROUND**



THERE are no experiments in the 1936 Ford V-8 Trucks and Commercial Cars. Every feature has been PROVED and APPROVED by millions of miles of service under every conceivable condition of load and road and weather. Its 80-horsepower V-8 engine has proved its economy and reliability on the world's greatest proving ground . . . the job itself. Its full-floating rear axle with straddle-mounted pinion . . . full torque-tube drive . . . positive, quick-action safety brakes . . . and many other quality features have proved the soundness of Ford design by their performance in actual service.

This impressive record offers convincing proof of V-8 Reliability. The cost records of owners firmly establish V-8 Economy. And V-8 Performance needs no confirmation, for it is evident everywhere you look. Thus, Ford V-8

Trucks and Commercial Cars have been PROVED BY THE PAST. Now they have been IMPROVED FOR THE FUTURE. Your Ford dealer invites you to make your own "on-the-job" test without cost or obligation. He will be glad to tell you the details of the money-saving Ford engine and parts exchange privileges. Call him today and set a date.

CONVENIENT UNIVERSAL CREDIT COMPANY TERMS MAKE THIS GREAT TRUCK VALUE IMMEDIATELY AVAILABLE

## FORD V-8

**TRUCKS AND COMMERCIAL CARS**

# FEDERAL LOW RENT HOUSING PROGRAM—WHERE, WHAT, AND HOW MUCH

Status as of Dec. 15, 1935

City	Project	Area		Allotment	No. of Family Units	Type	Status
		Total Acres	Per cent Covered by Buildings				
Atlanta, Ga.	Techwood	24.8	19.5	\$2,875,000	712	603 row houses 109 dormitory units	75% complete Completed
	University	19.0	25.0	2,500,000	675	Row houses, flats	45% complete
Atlantic City, N. J.	Stanley S. Holmes Village	8.1	24.5	1,700,000	270	Row houses, flats	Contract awarded
	Smithfield Courts	28.3	22.5	2,500,000	712	Row houses, apartments	Demolition contracts awarded
Boston, Mass.	Old Harbor Village	32.7	23.8	6,000,000	1,057	Row houses, apartments	Foundation 1% complete
Buffalo, N. Y.	Lang Field	65.4	11.8	4,500,000	658	Row houses, flats	Foundation contract awarded
Cambridge, Mass.	Main Street	8.8	24.4	2,500,000	310	Apartments	Demolition contract awarded
Camden, N. J.	Westfield Acres	25.2	15.3	3,000,000	587	Row houses, apartments	Foundation contract awarded
Charleston, S. C.	Meeting Street	15.6	14.6	1,150,000	291	Row houses	Foundation contracts opened
	Diversey	35.3	21.0	6,000,000	941	Row houses, apartments, flats	Foundation contract awarded
Chicago, Ill.	Trumbull Park	20.9	17.8	3,250,000	467	Row houses, apartments, flats	Foundation contract awarded
	Jane Addams Houses and addition	23.9	32.0	6,500,000	300	Row houses, apartments	Foundation contract awarded
Cleveland, O.	Cedar Central	18.2	21.0	3,279,000	654	Apartments	15% complete
	Outhwaite	20.6	28.7	3,650,000	635	Flats, row houses, apartments	5% complete
Cincinnati, O.	Westside	22.3	20.2	3,800,000	597	Row houses, apartments	Foundation excavation begun
	Laurel Homes	23.7	22.0	6,500,000	1,278	Apartments	Demolition contract awarded
Columbia, S. C.	University Terrace	4.1	26.0	500,000	162	Row houses, flats	Demolition and foundation contracts awarded
Dallas, Tex.	Lucas Drive	22.3	15.9	900,000	215	Row houses	Foundation contract awarded
Detroit, Mich.	Brewster	27.9	23.4	5,500,000	797	Row houses, apartment, flats	Demolition contract awarded
Enid, Okla.	Parkside	30.9	19.9	4,500,000	775	Apartments	Foundation bids opened
	Enid Springs Park	5.7	20.2	435,100	90	Row houses	Site being cleared
Evanston, Ind.	Lincoln Gardens	11.1	16.4	1,000,000	198	Row houses, flats	Demolition contract awarded
Indianapolis, Ind.	Community Housing	22.1	27.3	3,025,000	748	Row houses, apartments	10% complete
	Durkessville	20.2	13.3	1,000,000	239	Row houses	Foundation contract awarded
Jacksonville, Fla.	Blue Grass Park	67.1	6.8	1,500,000	285	Row houses, flats	Foundation contract awarded
Lexington, Ky.	Algonquin Park	13.5	21.4	1,200,000	210	Row houses	Foundation contract awarded
	Project H-2501	11.1	25.0	1,618,000	460	Row houses, flats	Project suspended by injunction
Memphis, Tenn.	Seventh Street	5.2	29.0	700,000	125	Row houses	Foundation contract awarded
	Poplar Avenue	40.7	17.0	3,200,000	838	Row houses, apartments, flats	Demolition contract awarded
Miami, Fla.	Project H-3403	26.0	19.5	3,000,000	469	Row houses, apartments	Demolition contract awarded
	Sixty-Second St.	62.0	8.0	1,000,000	255	Row houses	Contract awarded
Milwaukee, Wis.	Parklawn	42.1	13.0	2,800,000	458	Row houses, apartments, flats	Contract awarded
	Sumner Field	36.0	20.0	3,500,000	618	Row houses, apartments, flats	Demolition contract awarded
Montgomery, Ala.	Wm. B. Patterson Courts	7.0	22.7	459,000	158	Row houses	36% complete
	Riverside Heights	13.8	8.5	416,000	100	Row houses	8% complete
Nashville, Tenn.	Cheatham Place	24.1	15.0	1,700,000	275	Row houses	Demolition contract awarded
	Jackson Courts	22.2	18.0	1,500,000	550	Row houses, flats, apartments	Demolition contract awarded
New York, N. Y.	Ten Eyck Houses	25.9	33.0	12,783,000	1,625	Apartments	Foundation contract awarded
	Harlem River Houses	8.5	34.5	4,700,000	569	Apartments	Foundation contract awarded
Oklahoma City, Okla.	Rotary Park	36.6	12.5	2,000,000	396	Row houses	Foundation contract awarded
Omaha, Neb.	North Side	15.9	23.6	2,000,000	381	Row houses, flats	Demolition contract awarded
Philadelphia, Pa.	Hill Creek	24.0	14.0	1,800,000	337	Row houses, flats, apartments	Foundation contract awarded
	Casero Mirapalmeras	28.3	18.6	775,000	298	Row houses	Foundation contract awarded
San Juan, Puerto Rico	Project H-5801	9.7	18.0	1,500,000	286	Flats, apartments	Foundation contract awarded
Schenectady, N. Y.	Fairfield Ave.	4.5	24.6	800,000	149	Row houses, apartments	Foundation contract awarded
Stamford, Conn.	Belmont Division	15.1	20.8	2,000,000	373	Row houses, apartments, flats	Demolition contract awarded
Toledo, O.	Fredericksted	16.8	2.5				
Virgin Islands	St. Thomas	13.7	5.9	250,000	146	One story, semi-detached	Construction under way—force account contract
	Christiansted	5.1	6.0				
Washington, D. C.	Anacostia Terrace	54.7	17.5	60,000	695	Row houses, flats	Project suspended for funds
	Langston	13.7	21.1	1,600,000	230	Row houses, apartments, flats	Foundation contract awarded
Wayne, Pa.	Highland Ave.	2.1	20.4	300,000	50	Row houses, flats	Foundation contract awarded
TOTAL—FIFTY PROJECTS		1182.5	17.2	\$129,725,100	23,704		

# Federal Housing: An Inventory

**With 50 projects under way, the government has definitely embarked on a housing program, spending \$130 millions in 37 cities. What has been its record, what mistakes have been made, and where do we go from here?**

DESPITE all complaints from realtors and landlords, public housing under federal supervision is here to stay. The 50 projects in various stages of construction on which *Business Week* has tabulated data (page 24) are evidence of at least a modest start in this direction. Seven limited dividend projects might also be added. To expand these efforts and to capitalize the experience gained in their development, Senator Wagner, ace champion of social measures, will introduce at the next session of Congress a permanent \$800-million slum clearance program destined to secure Administration blessing.

What have been the results of the government's first venture into the housing field? Created in July, 1933, and allotted a fund of \$125 millions as part of the first PWA program, the Housing Division was beset from the start with legal snares involving not only its several powers but its very existence. Efforts to work out a satisfactory organization that would stand the scrutiny of the attorney-general's office absorbed nearly a year's time. This was spent chiefly in examining the worthiness of projects sponsored by limited-dividend corporations.

## **This Was Not Enough**

By June, 1934, it became apparent that this approach to low-rent housing was inadequate. Sound projects were few, rents too high. The Housing Division decided to enter the construction and management field itself to achieve the rental level desired to house the lower third of income recipients.

No sooner was division approval gained for scores of projects sponsored by local agencies, than the bulk of allotted funds was impounded by executive order for relief purposes. Further difficulties beset the division when a Louisville court challenged the power of the federal government to exercise the right of eminent domain in acquiring land for housing purposes. This raised the question of whether housing could be considered "public use."

Despite the fact that, last April, Congress appropriated up to \$450 millions for urban housing, the actual program was cut by November to the 50 projects listed and seven limited dividend developments. These were pushed hard to reach the Dec. 15 deadline set for PWA undertakings.

What has been accomplished? With a little less than \$130 millions, the fed-

eral government has undertaken to demonstrate what can be done in low-rent housing in 37 cities. Half of its jobs will be slum clearance projects, the balance are built on vacant land. It has examined thousands of proposals and finally embarked on the purchase of 1,183 acres of land, the largest construction job ever undertaken by a single agency in the country. It will provide new and better living accommodations for some 23,704 families at rents ranging from \$4 to \$7 per room, in row houses, apartments, and flats. One-family houses were too costly.

## **Average Cost, \$5,473**

What has been the cost of such accommodations? Dividing the total allotment by the number of family units yields an average of \$5,473. But because the law was not specific in permitting the Housing Division to keep the incoming rents to defray management expenses, the allotment carries a 22% reserve for operation, maintenance, and contingencies. Subtracting this from the total allotment, the average allotment per family units drops to \$4,269. Each project carries a 45% outright grant. Rents are based on prorated annual maintenance, depreciation, and sinking fund costs, plus a 3% interest charge and amortization on the 55% loan.

These federal projects pay no taxes to municipalities for police, fire, protection, and other services, a matter that has been a bone of contention between several city administrations and the housing authorities. Full tax loads would be heavy enough to boost rentals from \$3 to \$4 per room a month, thus defeating the entire project. The Housing Division would like to pay a service fee equal to 5% of gross rental, a sum which would yield more income to cities than they now get from taxes on their slum areas, but the attorney-general banned such payments.

## **A Lot of Landscaping**

Most interesting are the standards which have been set for these projects. The table indicates the unusually low percentage of land used for each project, the high percentage left for landscaping. Average for all projects is only 17%, 203 acres out of the 1,183 total.

Because the amortization of the 55% loan on these projects runs for 60 years, the structures approved have been those that could give assurance of lasting that length of time. This has unfortunately

precluded experimentation with some new methods and new materials that might have reduced the cost per unit but haven't had time to demonstrate lasting qualities. However, it guaranteed sound construction, low upkeep and repair costs, reduced fire risks. Light, air, cross-ventilation, heat, electricity, refrigeration are common appurtenances. No corridor-type buildings, or buildings with narrow courts, are permitted.

What has been learned by the first American experiment in low-cost housing?

## **Subsidy Is Needed**

(1) That housing for the low income recipients cannot be supplied without government subsidy of some kind—either federal, state, or local.

(2) That the federal government had best serve in an advisory and educational capacity to local housing organizations, rather than play the role of builder and manager.

(3) That limited-dividend corporations should be encouraged under federal supervision as to standards of construction, rents.

(4) That the right of eminent domain for housing should be definitely determined.

(5) That these governmental projects should be allowed to make some compensation for municipal services.

(6) That a permanent federal housing organization should be created for the particular purpose of erecting low-rent houses, dissociated from any relief objectives.

(7) That research in the use of new materials and methods to reduce costs should be encouraged.

(8) That a body of trained managers and designers for low-cost projects should be developed.

## **Building Stimulants**

**Government and private agencies to provide counsel for construction and realty interests.**

HOUSING is expected to do a whole lot of ball-carrying for recovery in 1936. Its importance in Administration plans was emphasized again last week when construction and urban real property interests had a special sub-bureau set up for them in the Department of Commerce.

Secretary Roper appointed Cornell civil engineer, Lowell J. Chawner, chief of a new Construction Economics Section of the Bureau of Foreign and Domestic Commerce. It will be a fact-finding agency to assist private construction.

Already under way is an investigation of fluctuations in the demand for industrial and commercial building in relation to other economic factors—devel-



opment of new industries, the volume of manufacturing production, industrial earnings, interest rates.

Ahead lie studies of the economic aspects of new types of structures and methods of construction, of trends in building costs, of seasonal factors in various types of building and in different sections of the country. It is planned to look into the real estate debt situation, and into the volume and importance of non-contract construction for which adequate data are not at present available.

#### Dr. Ely's Agency

Meanwhile, in New York last week was announced a private agency, Property Research, Inc., which proposes to provide for real estate for the first time some of the services that management engineers have given industry and business, and investment counselors have given investors in the general security field.

Richard T. Ely, land economist and director of the Institute for Economic Research, is chairman of the board of the new corporation, whose directorate includes Edwin W. Kemmerer, Leland Rex Robinson, and Kent Bromley. Mr. Bromley is president.

The research staff will be drawn from people who have been working with the Institute for Economic Research,

founded by Dr. Ely 15 years ago as the Institute for Research in Land Economics and Public Utilities.

"Professional services for research and counsel in the field of real property and related branches" will be offered to three general groups of clients: individual and institutional owners of real estate and mortgages, groups interested in real estate and tax problems, and government units dealing with property and property taxes.

Services will include analysis of real property for investment or loans, surveys of contemplated land and building developments, establishment of depreciation and obsolescence policies, tests of assessments, installation of appraisal and assessment systems, and analysis of leases for chain stores and other commercial concerns.

## Realty Realities

**Sales, rental, building and mortgage figures support realtors' optimism. New construction expected.**

REAL estate men have solid factual material for their optimistic forecasts for 1936. Real Estate Analysts, Inc., of St. Louis, which has been collecting figures week by week in 25 major cities

for the National Association of Real Estate Boards, supplied these findings:

	% of 1926 Level	
	Now	Year Ago
Sales .....	52.2	46.1
Rents—Single Family..	78.5	65.0
Rents—Apts. ....	58.0	50.9
B'lding Material Prices..	86.1	85.0
New Home Building..	21.6	8.7

The figures also show that mortgage money began to loosen up in the spring of 1935. By the yearend new financing had attained 31.3% of the 1926 volume.

Noting the gain for rentals in relation to building costs, consultants for the National Association cautiously suggested that "we are approaching the recovery point where new construction may be expected in volume."

#### Farm Land Sales Up

Government land bankers were less restrained in commenting on farm land developments, talked about "brisk activity" and an "optimistic outlook" on the strength of 6,400 farms sold in the first ten months of 1935. That compared with 4,900 in the full year 1934 and 4,100 in 1933. In addition more than 1,000 pieces of farms were sold last year.

Ten-month sales brought in \$22.2 millions, which was a recovery of 101.2% of the carrying value of the land sold. Sales in 1934 amounted to \$17.6 millions, representing 100.1% recovery, and in 1933 to \$14 millions or 97.5% recovery.

The Federal Land Banks collected \$61 millions of interest on farm loans, or approximately 90% of what fell due in 11 months, a little better experience than in the corresponding 1934 period, when \$50 millions of interest collected represented 87% of maturities.

#### HOLC Figures Are Good

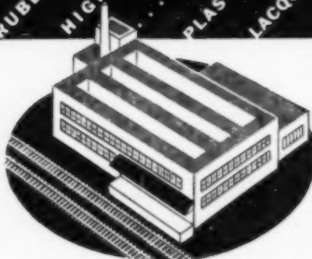
Then from Home Owners' Loan Corp. last week came favorable reports on the resale of homes taken in on foreclosure of HOLC mortgages. Up to Nov. 30, out of 21 such properties sold only one resulted in a loss to the corporation (\$284). The total amount realized was \$62,022, slightly in excess of the mortgage balances plus foreclosure costs and direct expenses. Proceeds did not cover overhead expenses of the corporation.

Henry G. Zander, young real estate man who heads HOLC's Chicago agency, looked over 139 transactions in which houses mortgaged to his office had been sold by their original mortgagees, and discovered that in no case was a property sold for less than his mortgage. The 139 homes brought an aggregate of \$691,863 and the total loans against them were \$554,193, indicating an average mortgage debt amounting to 82% of the actual sales price. On an average the properties sold for \$4,977 against an average mortgage of \$3,987, leaving almost a \$1,000 equity.

## KOPPERS AND THE Automotive INDUSTRY

The Automotive Industry . . . greatest developer of new ideas . . . has an able ally in Koppers, whose growth has largely come from inventing, developing and improving methods and materials. Today, as always, Koppers welcomes an opportunity of working with manufacturers to find new and better ways.

**KOPPERS PRODUCTS CO.**  
PITTSBURGH, PENNSYLVANIA



1. Tarmac Roads
2. Roofing
3. Waterproofing
4. Bituminous Paints
5. Creosote for Ties and Lumber.

## For FTC Control

**Food & Grocery Conference Committee prefers trade practice conference to price control legislation.**

ON the food and drug front, where projected price control legislation (BW—Dec 14 '35) is the dominant item of interest, attention centered this week in clarification of the attitude which the powerful Food & Grocery Conference Committee is expected to take toward the several bills offered in the new session of Congress.

Since its reorganization last September, the committee, composed of representatives of all major food associations (excepting the United States Wholesale Grocers), has worked very quietly under the general direction of Paul Willis, president of the Associated Grocery Manufacturers of America, and Gilbert Montague, committee attorney. Now it is ready to take off the wraps, for on Jan. 22 in Chicago the committee will present its program for the ratification of the entire industry.

### Oppose General Legislation

Boiled down to its essentials, that program consists of sidetracking any hasty, arbitrary state or federal legislation, in order to permit the food industry to work out its own price control salvation, preferably in terms of trade practice conference rules, under the ægis of the Federal Trade Commission.

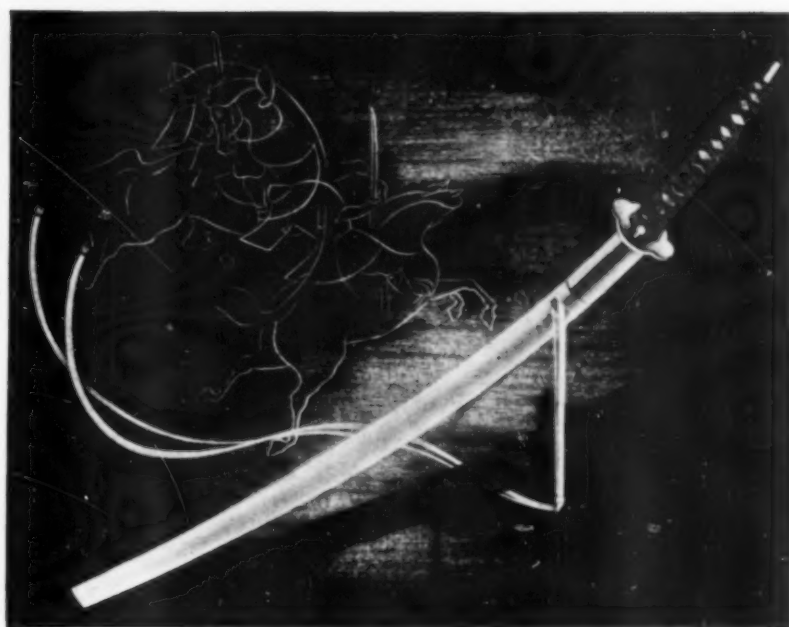
In a long series of conferences, committee members have been able to reduce to four the number of problems now aggravating the trade and to agree on a technique for handling each.

(1) **Advertising allowances.** The amount and service should be specified in separate contracts. Allowances should not be deducted from the general sale price. Independent retailers represented on the committee have been converted to the justice of these allowances and to the impossibility of eliminating them under any system.

(2) **Brokerage commissions.** No commissions should be granted anyone other than a seller's agent.

(3) **Quantity discounts.** Price differences are justified by actual differences in quantities ordered, but the discount scale should be generally known and available to all buyers of like amounts. Filing of discounts as is contemplated by the drug industry's pet Van Nuys bill would, in the committee's opinion, prove definitely unworkable. Restrictions on the use of quantity discounts, such as the Patman bill proposes and small grocery wholesalers demand, can in the committee's opinion be just as effectively enforced by FTC under a trade agreement as under an act of Congress with consequent extension of bureaucratic control.

(4) **Loss leader selling.** Selling be-



## The swords of the Samurai

*Because of the exalted sentiments they symbolized, the wearing of a pair of these fine old swords was a guarded prerogative of the privileged military class of medieval Japan. It is, therefore, not to be wondered that an object of such veneration should bear the marks of rare skill in manufacture and high art in symbolic decoration. Yet, the superb quality of the steel in those glistening blades was partly accidental: Modern analyses reveal that many of them contained molybdenum — in the iron ore — which, not then understood, was regarded as an impurity; whereas, in fact, it is an element of magical alloying properties.*

**F**OR CENTURIES the Japanese excelled in arts and industries associated with their civilization. It was a secluded civilization — progressive within itself but inert in the light of developments in the Western World. Once the alert Japanese mind became aware of these developments, Japan's rise to the status of a world power was phenomenal.

"Inertia" is not confined to seclusive nations. Right here in America are still many "venerable and respected" industrial and manufacturing concerns which make "satisfactory" products — but in their own traditional manner; and often with doors tightly closed to the improved methods and materials of a newer day.

If the alloy steels or irons in your finished products are based on formulae

more than five years old, a review will be profitable. . . . Investigate "Moly" (Molybdenum) — the alloy which years of service and thousands of laboratory, steel-mill, shop and service tests have proved capable, not only of improving plain iron and steel but of heightening the characteristics of other alloys with which it may be associated; and of doing it at a cost which often is more than absorbed by the economies it effects.

Moly's qualities and achievements are too numerous to describe here. But our brochure, "The A-B-C of Better Iron and Steel," covers the subject in a most interesting non-technical manner. We invite executives and their associates to write for it. Climax Molybdenum Company, 500 Fifth Avenue, New York City.

# MOLY

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*Courtesy Museum of the  
City of New York*



## Changing Methods

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Through 136 years this Bank has always adjusted itself to the constantly changing requirements of business. The benefits of this experience are available to its customers today.

# BANK of the MANHATTAN COMPANY

New York

Chartered 1799



low cost—invoice or replacement, whichever is lower—should be banned, but no specific percentage or general margin for the cost of doing business should be included in the determination of that cost figure, chiefly because of the dubious legality of any such system.

Drug independents, aggressively promoting the Tydings fair trade enabling act, find only scant encouragement in this point of view with respect to resale prices. Already they have in readiness machinery to substitute for the state fair trade acts should these be invalidated or weakened by the Supreme Court.

Modeled after California's unfair practices law, new state measures are sought banning sales below cost, to be administered by state trade commissions. Although food interests are apparently prejudiced against any legislation, druggists hope that they will not actively oppose the below cost laws.

### Wholesalers' Revolt Wanes

Meanwhile, in the past fortnight the drug wholesalers' revolt has tapered off, though the trade still continues to talk about who got hit and when. A partial list, published for the first time in *Business Week* (BW—Dec 14 '35) of those manufacturers in whose laps wholesalers had dumped drop shipment orders mistakenly included Campana Italian Balm and Mentholatum. Neither manufacturer has been subjected to any trade pressure from the wholesalers.

From Washington this week came news that Senator Capper would introduce a revised version of his old price maintenance bill—the famous 20-year-old Capper-Kelly effort. On Dec. 30 Mr. Patman resumed his chain baiting investigation, questioned President Albert H. Morrill of Kroger's about the chain's million dollar discounts last year.

## Lewis' Drive in 1936

**Radio union asks industrial charter; Lewis hopes to merge auto and rubber unions, and organize steel workers.**

THE last week of 1935 was marked by a fresh outburst of the controversy that provided the main labor news of the year—the controversy between craft and industrial unionists.

In Pittsburgh the Radio Workers and Allied Trades Union held its convention and sent a demand to President William Green of the American Federation of Labor for an international charter, on industrial union lines, to replace the federal charters that put each local directly under the A. F. of L.

1936 is expected to witness the first test of John L. Lewis' Committee for Industrial Organization in its effort to unionize a mass industry. The committee has an office in Washington, not in



the same buildings as Lewis' United Mine Workers of America, but in another two blocks away.

The office is run by John Brophy, director of the committee. He was formerly the president of No. 2 district of the United Mine Workers in central Pennsylvania. After long service there he was beaten for reelection and got a job with the traction company in Pittsburgh and later worked as a traveling salesman. But in the middle of 1933, when the vigilant Lewis took advantage of the opportunities provided by the New Deal to reinvigorate his ailing union, he hired Brophy as an organizer.

The union made a great increase in membership. When Lewis formed his industrial unionization committee recently, he put Brophy in charge.

#### Active in Auto Industry

Brophy has only a small staff now but hopes to expand it. He has one organizer, Adolph Germer, who is working in the Cleveland-Detroit area, trying to merge the United Automobile Workers with the three automobile unions outside the A. F. of L., and to bring the United Rubber Workers into the same union.

Brophy plans to hire an organizer for the steel industry, but he frankly says that what the committee does in steel will largely depend on how well it succeeds in the automobile industry.

Lewis has an urgent interest in unionizing steel. Some of the great steel companies own coal mines and have steadily fought the miners' union. In Alabama Lewis has been up against the Tennessee Coal & Iron Co., subsidiary of the United States Steel Corp., and in western Pennsylvania he has clashed with Youngstown Sheet & Tube. He says he has talked to officers of United States Steel and that they have told him they are afraid that if they deal with a union in their mines they may have to deal with one in their mills.

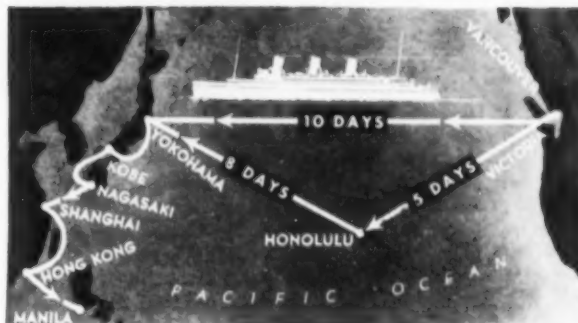
#### Mills First, Mines Next

Lewis is now trying to reverse the process they fear. He wants to make them deal with a union in their mills in order to extend the unionization to their mines. And if the captive mines are unionized, other mines will be more willing to grant union demands.

One of Lewis' right-hand men, Philip Murray, vice-president of the miners' union, explained the industrial union drive at the convention of the Radio Workers and Allied Trades Union last week. The union says it has 55,000 members in radio and refrigerator plants. It demands a charter that will let it keep them all instead of surrendering any to crafts unions.

At present the committee is being supported and financed by seven large international unions. Lewis could spend more money for organization work than he is doing, but he wants to save it till it can be useful.

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# Used-Car Stocks Pile Up

**Automobile executives and dealers worried over possible jam during cold months. Trade-in deals restricted in part; advertising sells second-hand stock.**

AMID a din of hurrahs in Detroit over the remarkable spurt in retail car buying since introduction of 1936 models, executives are sitting up nights worrying over rapid accumulation of used cars by dealers. Haunting them is the spectre of frozen used-car stocks during the near-zero months of January and February, which might raise dealer mortality to abnormal heights.

Dealers and factories agree the situation is serious, but are nowhere near unanimous in regarding conditions as disastrous. Some dealers have so many "trade-ins" they have quit trading, confining new car sales to "clean" deals. In other cases, dealers have turned all their salesmen to the job of "breaking the used car jam," as Pontiac refers to the task. Whether used-car stocks are near the 1929 level, as some infer, is a matter of opinion; generally they average about a six-week supply, which certain factories think is all right.

Factories knew last summer that new-car introductions in the fall would stimulate buying, that dealers inevitably would have on hand old cars taken in on new-car orders. Chevrolet started advertising used cars in national magazines months ago. Since 1936 announcements, it has devoted its advertising expenditures to used cars, using newspapers, billboards, magazines, radio. Its dealers, as a result, sold around 240,000 used cars in November and December.

Other companies have taken measures to solve the used-car problem. Pontiac last spring allotted each zone a special fund to be devoted to helping individual dealers merchandise used cars when they got into trouble. Ford is to start a used-car advertising campaign in January. DeSoto is in the midst of a campaign featuring "Winteready" used cars. Dealers generally are being urged to take in only old cars which they can sell, to go slow on trade-ins.

## An Industry by Itself

The used-car business is an industry by itself. Many dealers in the larger cities sell only used cars; some of them also do a wholesale business. Some new-car dealers find it more profitable to sell "trade-ins" to used-car wholesalers in lots of 10 to 70 and pocket a considerable loss than to carry them along and recondition and sell them. A large Pennsylvania dealer, for example, sold every used car in stock (55) to a wholesaler prior to announcement of 1936 models. He then sold 75 new cars and today has only 12 used cars.

Because delivered car prices get higher the farther one is from southern Michigan (due to f.o.b. factory prices), used car dealers in the South, Southwest, and on the Pacific Coast have regularly bought cars in Detroit and "tow-barred" them (one car being driven home, towing a second car). Often the differential is \$60-\$70, cost of driving from

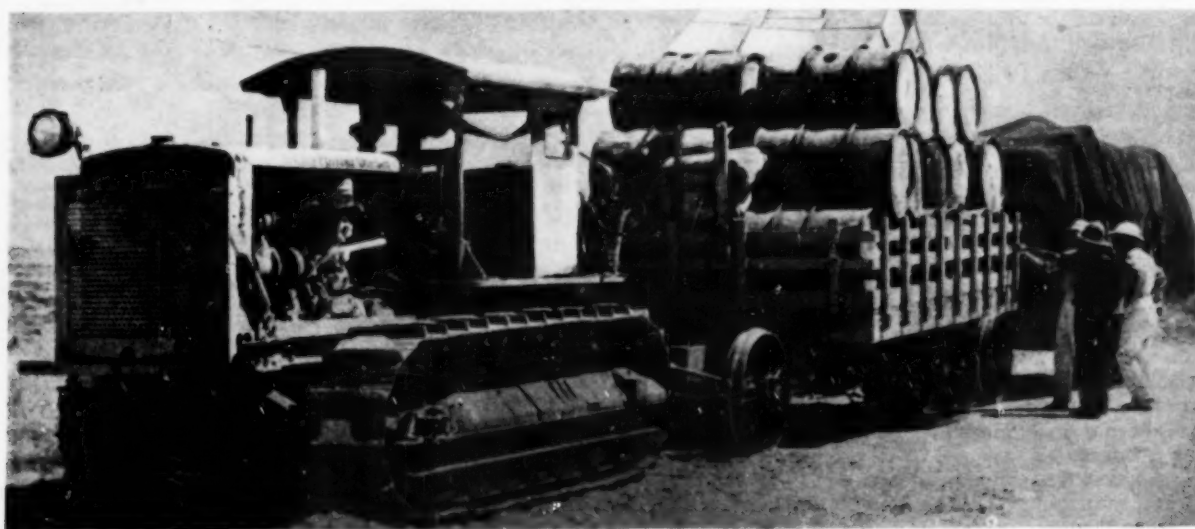
Detroit \$10. Sometimes in off-seasons used cars are carried to Southern points from Detroit in trucks ordinarily employed for delivering new cars. During earlier months of 1935 this "far-distant" wholesale business fell off because the price differential between Detroit and other cities had been reduced to the point where the practice was not so profitable. Lately the trek of used cars out of Detroit has increased sharply.

One custom of motorists has been a pain in the neck to California dealers. Easterners drive their cars to California and sell them to used-car dealers at a considerable reduction from the going price there, returning home by rail or bus. Due to higher prices on the Coast, they get as much as or more than at home for their old vehicles plus a trip.

Used-car buyers roughly fall into three classes: those who buy recent cars (1932-33-34) at \$375-\$700, those who want the better-grade older cars (1929-30-31) at \$200-\$250, those who buy the wrecked-looking ancients for \$25-\$50. Farmers and skilled workers are the best sources of business for better used cars. Each new-car sale usually involves three used cars before the dealer can wash his hands of the original transaction. He sells a new car and takes in a used car on which he has allowed \$450. He then sells the used car and takes in another used car as part-payment, possibly for \$200. He sells this second used car and gets in trade a car for \$75, on which he may get stuck. Reconditioning a used car costs the dealer around \$25-\$30.

Chicago and New York are the big markets for used Packards, Cadillacs, Lincolns. Used car dealers from those cities visit Detroit monthly, scour other cities for desirable merchandise.

Today some dealers are in a jam be-



**MR. EDEN IS NOT IN THE PICTURE**—Actually, however, he is the biggest item to be considered as diesel trucks roll Italian supplies through Ethiopia. The new British Foreign Secretary

wants sanctions extended to oil, Italy has none of her own, and without oil these transports will come to a complete stop. After that—how to get supplies to troops at the front?

cause they have taken in too many 1934 and even 1935 models at high prices. Others complain that they can sell the good stuff to used-car wholesalers or dealers, but can't move the poorer cars.

National Automobile Dealers' Association in its December bulletin says a survey among 803 representative dealers showed that on a sales volume of \$257 millions in 1934, they averaged a net profit of 0.6¢ per dollar of volume. Used cars taken in trade consumed all profits in new-car operations and a large portion of profits earned in service, parts and accessories. Dealers wouldn't have earned a nickel if it hadn't been for reserves from financing time-paper sales.

#### Possible Ways Out

What's going to happen? Maybe all the effort applied by dealers and factories won't break the used-car jam, but the industry isn't willing to admit that. Some used-car dealers say their sales go up when a spell of bad weather comes along. The man who has "junk" and finds it won't even start in zero weather rushes out to get something better, because he has to have transportation. The factory worker with a 1929 or 1928 car isn't going to wait for spring to buy a 1932 or 1933 model, now that he has more money. Moreover, certain factory "higher-ups" are convinced that the peak in used-car stocks is here now, will be less in 30 days. They say the situation today is comparable with that which the industry usually experiences in March. Maximum cooperation between factories and dealers and cautious trading by the latter will help.

Executives of some dealer associations and some factory officials agree that a thinning out of the ranks of dealers in the next two or three months is inevitable, the less-efficient operators passing out. Dealers already are noticing that large used-car stocks are depressing prices somewhat. They fear that unless the situation improves mightily, a real price "break" may come soon.

#### McGraw-Hill Election

At a meeting of the board of directors of the McGraw-Hill Publishing Co., Inc., held on Dec. 27, James H. McGraw, the founder of the company and its head for more than fifty years, resigned as chairman of the board and was elected honorary chairman. He will remain as a member of the board.

James H. McGraw, Jr., who has been connected with the company for the past twenty years, was elected chairman of the board. He has served as treasurer and was executive vice-president and vice-chairman of the board at the time of his election.

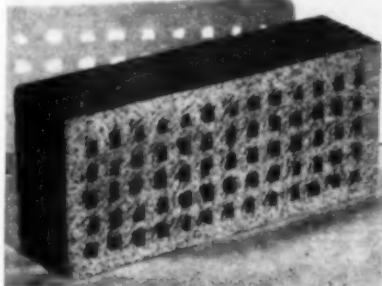
Malcolm Muir, president of the company since 1928, continues in that capacity.

## New Products

**New things, new ideas, new designs, new packages, new manufacturing and marketing methods.**

THE new El-Steam heater advertised by the Lewis Manufacturing Co. is a self-contained, portable cabinet that contains a fin-type copper radiator in which water is converted to steam by an electric heating unit. It is automatically controlled to maintain an operating steam pressure of 30 to 60 lbs. and is supplied in a variety of different finishes to harmonize with room decorations or furniture.

E-CON-O is a new type of face brick that is honeycombed with oblong perforations. The Royalton Face Brick Co. advertises it as weighing one-third less than a standard brick but meeting the most rigid engineering requirements for strength, claims that it is easy to handle,



produces strong and tight joints, possesses exceptional insulating qualities and will not sweat. The new bricks are supplied either in standard size or "triples" (3 times the size of a standard brick).

OTWELL FIRESIDE CO. offers the Fireside heater for Ford V-8 cars. It consists of a patented, new-type cylinder head which has the normal water jacket but also a series of air ducts through which fresh air is circulated and heated. It is advertised as having ample capacity for heating closed cars and also for keeping the windshield defrosted, and is easily installed.

A. O. SMITH CORP. now offers a patented high yield casing for industrial use and particularly oil wells. It is reported to be lighter in weight, thereby saving steel and freight costs while offering greater collapse-resistance and higher pull-out strength.

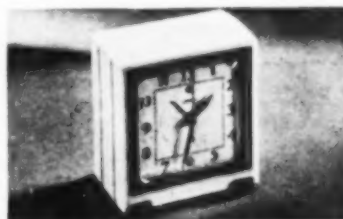
SULFLO is a new cutting oil, offered by the Thomas & Hochwald Laboratories. It is a compound of finely divided sulphur and oil and is said to increase its viscosity as its temperature rises and permit higher cutting speeds.

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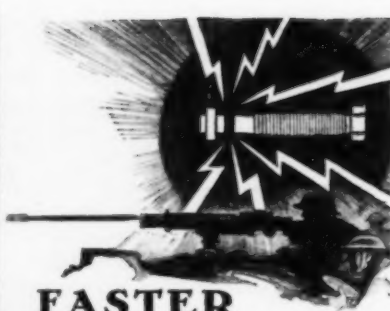
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## Wide Reading

STRAWS FROM ALBERTA. William F. Russell. *Atlantic*, January. What the Social Credit government has promised the farmers and cattle raisers of Alberta; what weaknesses there are in similar offers in this country.

SECURITY OF OIL SUPPLIES IN WARTIME. *World Petroleum*, December. Nations without adequate production of their own find themselves at a disadvantage in relying upon imports of crude rather than finished products. Flexibility sacrificed by limiting demand to crude oil.

WHAT I THINK CONGRESS SHOULD DO. The Rev. Charles E. Coughlin. *Today*, Dec. 21. Is Congress doing its duty? Is the money power expressly delegated to Congress by the Constitution being utilized to protect the weak? The answer, says Father Coughlin, is obviously, "No."

MADE IN JAPAN. Guenther Stein. *Forum*, December. How Japan has risen to first rank as an industrial nation; what's ahead for other competitors.

ADVENTURES IN DIET. Vilhjalmur Stefansson. *Harpers*, December. Experiments with an all-meat diet prove it is healthy.

## REPORTS—SURVEYS

LIFE BEGINS AT 20. Research Marketing Department, Modern Magazines, New York, 62 pp. Figures on age, spending power, and distribution of population. Points out various differences between respective markets reached by leading magazines reflected against the American market in its entirety.

THE SHIPMENT OF SAMPLES AND ADVERTISING MATTER ABROAD. Roberta P. Wakefield. Bureau of Foreign and Domestic Commerce, Washington, 68 pp., 10¢. Most recent regulations in all countries in the world, summarized and brought up to date. For alert export managers.

MORE RETAIL SALES. New York Store Methods Bureau, 40 pp., \$3. Contains details of 114 plans and ideas for handling various personnel and operating problems and for increasing store sales and profits. These are represented as having been successfully tried out in reputable department and specialty stores.

AMERICAN TRADE PROSPECTS IN THE ORIENT. National Foreign Trade Council, 69 pp. Results of the study of trade possibilities for United States business in China, Japan, and the Philippines, made by a special N.F.T.C. commission last spring, and released for the first time at the Houston convention this week.

## BOOKS

MACHINERY. EMPLOYMENT AND PURCHASING POWER. National Industrial Conference Board, New York, 117 pp., \$2. Interpretative, factual survey of the relation of machinery to unemployment, employment, production, and purchasing power of the American working population, published at the request and with the financial assistance of the National Machine Tool Builders' Association. Concludes that machinery does not cause permanent unemployment.



**NOT EASY TO LOOK PLEASANT**—Smiling for the camera, delegates to the Five-Power Naval Conference leave the British foreign office after a preliminary parley. Not so pleasant were the faces around the conference board as the meetings got past early stages—halting the armaments race appeared hopeless.

## The World in 1935—and 1936

**Business abroad has made marked progress in spite of war threats. Outlook is excellent if war can be avoided.**

THE world of business will remember events in 1935 with varying sentiments.

The most spectacular development was the beginning of Mussolini's campaign in Ethiopia, with the massing of the British fleet in the Mediterranean, the riots in Egypt, the threat of economic sanctions on Italy by most members of the League of Nations, and the controversy over the extent to which the United States should cooperate.

### Barriers Coming Down

The most significant development immediately affecting business was the progress made in breaking down barriers to international trade. The United States took the most aggressive moves by promulgating nine foreign trade agreements with such important customers as Canada, Brazil, Sweden, the Netherlands, Cuba, Belgium, Colombia, Haiti, and Honduras. A new agreement with France will be ready early in January, and one with Spain soon.

Another encouraging development was the steady gain which most countries made in reviving industry and trade. Industries in Japan and the Soviet Union have continued to speed up, still show the greatest gains against 1929 production levels. Britain and other members of the sterling group of nations, whose industrial output was at record levels in 1929, have made the best progress in recovery. England and Sweden are generally ahead of 1929 levels. Canada made an impressive rec-

ord last year, showing greater gains than the United States.

Belgium will remember 1935 as the year in which the currency was devalued, and business stimulated to new levels of activity. France survived recurrent gold drains, as did the Netherlands and Switzerland. Italy, behind the excuse of the war emergency, allowed the lira to depreciate. China, after suffering a terrific drain on its silver reserves, attempted to nationalize all holdings of the metal and establish a managed currency. The Soviet Union, on the other hand, established a fixed rate at which foreign currencies would be exchanged for rubles, virtually tied the ruble to the gold franc by setting an exchange rate of three francs to the ruble, which places the value of the ruble roughly at 20¢ American money. Germany tightened its hold on the mark by refusing to honor marks held abroad, demanding all payments in foreign currencies in an effort to bring a larger volume of foreign exchange into the hands of the government.

This has been a momentous year politically. Japan has moved into North China and captured economic control of a region rich in raw materials but richer as a market for all sorts of Japanese goods.

Germany has won control over the Saar through a plebiscite, wheedled a naval agreement out of the British, and made it plain that the country is deter-

mined to regain control of some of its colonies though it is willing to wait for this if other nations will begin soon to "talk business."

The Philippine Islands inaugurated their first President and started a 10-year probation period during which they are to prepare themselves for complete independence.

### Canada's "New Deal" Out

Canada voted out its "new deal" administration, called back Mackenzie King to head the government and develop a program of freer foreign trade. Britain elected a new government pledged to stand by the League, and to a vast program of rearmament. Greece recalled its King and reestablished the monarchy. Mexico successfully thwarted a return of the dictator, Calles. France ended the year with the Laval government still in office but facing one of the most serious internal political crises since the war, with every evidence of trouble before the April elections.

Except in the little group of countries which have clung to the gold standard—France, the Netherlands and Switzerland—business has made marked progress this year. In every country this has been stimulated by vast rearmament programs. In Germany, rearmament has been supplemented by a big public works program, for which funds are now beginning to run low. In Britain, the protection of tariffs has given the steel industry its best year in history. Manufacturing consumers of steel are even complaining of inability to secure prompt delivery. In Sweden, as in England, a housing boom has contributed to the rapid recovery of the manufacturing industries. The fear of a boycott in case of war has caused nations to start laying in supplies of essential raw materials which, in turn, has led to a reduction of the restrictions on the output of many raw materials.

### Points to Watch

Looking ahead, there are a half dozen developments which business should watch.

(1) The rate of recovery is going to vary in different countries. In Japan, there are already signs that the boom of 1921-33 is leveling out, though the winning of the North China market of 100 million people will give a fresh stimulus to many Japanese industries, and a fresh field for investment. Unlike Manchukuo, which was little more than a pioneer's frontier, North China is a densely populated, well-organized region acquainted with, if not accustomed to, many of the minor luxuries of the machine age.

In Russia, there will be the same frantic effort to prepare the transport system for any emergency, push the output of gold beyond the record now held by South Africa, produce and distribute consumer goods in the volume

necessary to live up to the promises made to a hard-working public.

In Britain, industry will continue at top levels, but the rate of gain, as in 1935, will probably be small. In France, there are only feeble signs of a pickup, but if the political situation clears up during the spring, and if the franc is devalued (not confidently expected within the next six months), there is likely to be a revival of business. Germany's immediate business future depends on the ability of Berlin to win larger markets for German goods abroad so that increased exports will provide the employment which government projects have offered.

#### Latin America Improves

In Latin America, business is continuing to improve on the stimulus of higher prices for the raw commodities which every country produces in important volume. Outstanding gains have occurred in Argentina, Brazil, Chile, and Mexico. If Cuba passes the election period quietly, the freer trade with the United States and the revival of the flow of tourists will do much to stimulate business.

(2) Necessary for the continued revival of industry is the opening of foreign markets. The United States will continue its reciprocal trade program unless stopped by a Supreme Court decision that the President has been granted too great powers. Britain will continue to press for greater trade within the sterling group. There is likely to be a further lifting of restrictions on commodity production, as has been the case in the last year on tin, rubber and wheat. Most important of all will be definite moves by various "have" nations to make available to the "have nots" raw materials and markets for manufactured goods (*BiW*—Dec 28 '35).

#### War Ever a Threat

(3) War will continue to be a threat. Britain could conceivably become involved with Italy if economic sanctions are revived and pressed, but this is not now expected. Mussolini is more likely to be allowed to wear himself out in Ethiopia, or bargained into some settlement. Germany will be watched. If Dr. Schacht can keep the country from economic collapse, the government is likely to try bargaining for the new territories and markets that it wants before resorting to force. There is obviously the alternative of a return of regions in Africa, or of a sphere of influence in the Danube basin. Memel, Austria, and Czechoslovakia are danger points, the Germans being determined ultimately to bring minorities in all of them back into the Fatherland.

Equally threatening to world peace at the moment is the Russo-Japanese antagonism in the Far East. The showdown might come over trade and fish-

ing rights along Russia's Pacific frontier, or in Outer Mongolia which Moscow is not likely to relinquish to the Japanese without a battle.

The weight of France in international council chambers during the next few months will depend on the internal political situation. The battle between the Left and the Right is a bitter one. Riots in the streets are possible, even probable, during the election campaign between now and May.

(4) Trade will flow in new channels in 1936. The United States is turn-

ing more attention to Latin American markets. Japan will concentrate on China and the South Seas. Britain will work within the Empire. Russia will be absorbed supplying home consumer demands. Germany will look to Africa, and to southeastern Europe.

Except for the threat of war, the outlook is a bright one. Plenty of observers believe that war can be avoided until 1937, and that in the meantime there will be a boom in most countries, partly stimulated by the preparation for trouble.

## Neutrality Problems

**If the whole world would cooperate, just the threat of an embargo would be enough to prevent, or stop, a war. But not every one will cooperate so practical leaders think a "cash-and-carry" program is best.**

If the Congressmen who are assembling in Washington this week are unaware of the lightning in war clouds over Europe and Asia, they will not long be left in the dark. Our neutrality law, passed hastily last August, expires at the end of February. From pacifists to militarists, from school teachers to business men, there have been appeals for a revision of the law.

No plan which has been suggested as a substitute for the present legislation has attracted wider attention than the one proposed recently by the National Peace Conference. It has three features essentially different from the present temporary law. In the first place the President would be given specifically the power to embargo shipments of not only the present limited list of actual munitions and implements of war, but any or all "articles or commodities essential to the continuing conduct of war." These would certainly include cotton and oil.

A second proposal would allow the President to make a distinction between the victim and the aggressor—and continue to do business with the victim.

And finally, the program recommends in a vague way that some means be found for recompensing those producers and shippers who will suffer from the imposition of the embargo.

The lard from every third hog grown in Iowa is sold abroad, but the farmer doesn't handle the export end of the business and probably doesn't realize the effect on him or his income of such a program as has been proposed. A long coast line along the Gulf has helped to make the Texan foreign trade conscious, yet the average cotton grower in the state probably doesn't realize what it would mean if the proposed neutrality plan were strictly enforced in a major war. Three out of every five

bales of cotton grown in this country are sold to foreigners, and the average for Texas is even higher.

If these primary producers can be made to realize the importance to them of any restriction on exports, and if they will exert their influence promptly in favor of a law which might be both workable and effective in curbing war, good results may be expected from the next session of Congress.

Many of *Business Week's* readers are directly utilizing farm products in their factories, but are engaged also in the direct problem of marketing their manufactured goods—their canned fruit, lard, flour, or automobiles—in foreign markets. They are as eager as the farmer to keep this country out of war but they doubt that any neutrality law which is very complicated will ever succeed. And they question equally the wisdom of any discrimination between belligerents.

#### Make Customers Responsible

*Business Week* has already pointed out some of their major objections to neutrality proposals (*BiW*—Dec 28 '35), secured in a survey on this question. Most of them favor business with all foreign nations but carried out on a strict cash-and-carry basis in trade with belligerents—which means that warring customers would have to pay cash for our goods and assume responsibility for delivery beyond an American port. This eliminates the bitterness which discrimination breeds. Practical-minded, the exporter questions even the feasibility of limiting exports to peacetime levels. "If it can be enforced—fine. But, with no central organization handling all American foreign trade, and with Americans doing business from thousands of branches abroad, how can it be enforced?"



# Business Abroad

**Business is ready to boom in 1936 if war is avoided. Paris is gay in spite of political uncertainties. London watches increased socialization without fear of Socialism. Canada pushes trade program to boost foreign sales.**

THE threat of war next year is the only serious deterrent in the business picture in most big commercial countries. The fact that most capitals are optimistic in spite of this threat indicates how few people believe that war is probable, at least before 1937.

Three fronts need to be watched by the alert executive who wants to be forewarned of any serious change in the picture: Italy, Germany, and Japan.

## Three Danger Points

After a year of uncertainty, a spectacular opening of the East African campaign, a peace plan which nearly caused the downfall of the British and French governments, and finally open recognition of the fact that the Italians are now running into some of the natural obstacles which foreigners said would be their worst enemy, there is a feeling abroad that Mussolini is going to be willing to compromise before long on some comparatively small conquests. There are even rumors that his career is blasted and that the other nations can allow his campaign to exhaust itself. The most significant aspect of the whole picture is the firm stand of the little nations against any compromise of League principles, and the conviction even in Britain and France that Mussolini is less to be feared than was expected.

Germans have pursued a tactful course during the year as far as the Italian affair is concerned, and as a result have succeeded in winning a hearing at least in London to their appeal for a return of some of their African territory for the sake of the raw materials and the markets they will provide. But the internal economic situation is so serious that it may affect Hitler's plans. He's still expected to bargain, rather than break loose.

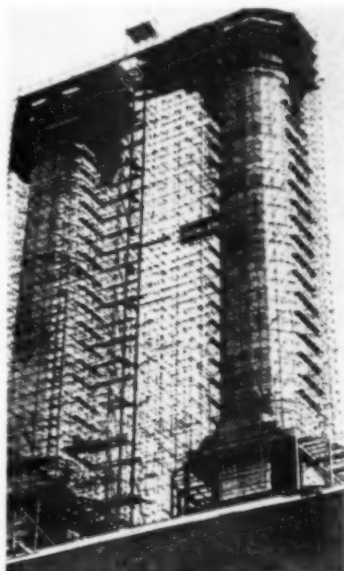
And finally, there is Japan. Best guess now is that exploitation of the new Chinese territory is going to absorb most attention, but there is still the possibility that Tokyo and Moscow will come to blows over Outer Mongolia.

## Germany

**Business outlook for 1936 is not bright. Butter and pork shortage spreads to eggs; beef next.**

BERLIN (Cable)—With Christmas trade below normal, and with uncertainties and dangers ahead, business is entering the new year in a gloomy mood. Current official statistics for the heavy industries show gains for the year of 20% or more, but sagging stock prices reflect true business sentiment.

The food crisis—which started with a shortage of butter and fats and extended



**BRITONS CRANE NECKS**—To look at these new chimneys at Fulham Power Station. Surpassing the famous Battersea chimneys, the twin stacks weigh 800 tons apiece, tower 310 feet.

to pork and milk—has been aggravated in recent weeks by an acute egg shortage. The latest census shows a decline in the number of cattle in the country, which indicates that there will be a scarcity of beef in 1936 unless huge imports are planned immediately. Some relief is expected from the renewed trade and clearing agreement with the Netherlands, which allows for larger food imports, and the substantial reduction of import duties on fresh and frozen meats. The first shipments of South American meat are due in January.

The deadlock in German-American trade relations just now precludes the possibility of the United States participating in the supplying of these emergency food requirements.

## France

**Paris has gayest New Year since 1932. Recovery is balked by high interest rate, political uncertainty.**

PARIS (Wireless)—France is celebrating the winter holidays with a show of gaiety scarcely warranted by the inter-

nal political situation or the immediate business outlook. Paris is more festive than for three years.

Business is feeling the stimulus. As in most other countries, luxury lines are registering the sharpest gains. One of the best known dealers in antiques, furniture, and paintings in Paris says that prices now, though still low, are nearly 300% above the depression lows, and the buying is brisk. Dealers in practically all luxury lines report similar good news. All of this tends to confirm the impression that if the Treasury's situation were sounder, and the general political outlook better, French business would no doubt improve rapidly.

There is small confidence that Laval's victory in the Chamber in the controversy over foreign policy means that he will remain long in power. The resignation of Herriot as head of the powerful Radical-Socialist party has weakened the position of the cabinet. With the budget out of the way, attention will turn to more troublesome topics when parliament reconvenes on Jan. 14.

Czechoslovakia's famous Bata shoe company is reported ready to build a large footwear plant in Normandy. Bata already produces in France, but his French branch (Les Chaussures Pillot) imports a part of its materials from Czechoslovakia.

The French shoe industry, which is largely concentrated in the Limoges district, famous also for its chinaware, is in very poor condition and probably quite unable to compete with the super-modern Bata methods if they are introduced on a large scale in this country. This accounts for the strong protest which has been raised to the entry of the Bata company. The French Secretary of Commerce has already promised the shoe interests that he will propose a bill to protect the French industry.

## Great Britain

**Christmas business sets new record in Britain. Increasing socialization causes little worry. 1936 likely to be boom year.**

LONDON (Cable)—Christmas business this year set a new record for England. London shops set new sales records. The Post Office handled 286 million letters and 10 million parcels, a 54% increase over last year's business. Telephone calls during the holidays more than doubled the previous records, and 66% more telegrams were sent.

Another good omen for 1936 is the rush of new issues which continued up to Christmas, and the prospect of continued new offerings immediately after the new year holiday.

At home there are doubts that Baldwin will long continue as Prime Minister, following the Hoare incident. Eden, new cabinet member, is bound to push sanctions at once, and Baldwin will probably still be reluctant to attempt an embargo for fear of touching off something much bigger than Britain can easily handle now. Troops and supplies are already

moving to Egypt in large numbers, though the press is not reporting these matters at home.

The Society of Motor Manufacturers and Traders have come forward with a proposal that the government set up a Road Transport Board modelled after the London Transport Board. It is generally believed in London, however, that before the present parliament disbands England is more likely to have a central board coordinating all forms of transport—both railroad and automotive—which will mean virtual nationalization of these services.

#### Towards Greater Security

Great social changes are coming gradually in Britain. By raising the school-leaving age, the government has virtually handed itself over to the technocrats who have been preaching the short working life as the way to get the full material benefits from the machine age. Old age pensions at 60, perhaps 55, are now within sight, though perhaps not in this parliament. Socialization (as opposed to officially christened Socialism) is now generally accepted in all parties, which means that the swing eventually, probably in 1940, to a Socialist government no longer frightens business men. Socialism cannot be worse than a medley of marketing boards, they say, and those haven't checked prosperity yet.

A few year-end figures are worth quoting. For fifteen months industrial profits have shown a steady rise.

Government borrowing at 1% and 2½% has reduced short-term obligations and floating debt by £100 millions each. This, plus the effect of the higher industrial profits on direct and indirect taxation yields, means that rearmament can be financed by Treasury bills without upsetting the budget or without floating just yet any special defence loan.

Stock market prices of industrials on the *Financial News* index (July 1935 = 100) show a jump on the year from 95 to 105.1. The *Sunday Dispatch* index (average 1930 = 100) shows an average monthly figure in 1934 at 115.6 and the present level at over 135. Stock market turnover is up from around 8,000 bargains a day to around 9,500 and 10,000 bargains—with the added benefit that bargains are more consistently "marked" by brokers in slow times than busy times.

#### New Record for Steel

Steel and iron (key industries here) are expanding. Average steel output per month in the last record year, 1929, was 803,000 tons. November this year touch 907,300 tons.

An index of United Kingdom commodities shows December, 1934, at 103.5 and November, 1935, at 113.2.

The past year has caused many changes that do not show in formal tables and graphs. London, for example, has had an epidemic of apartment and flat building. This has coincided with the growth of housing estates on the outer rim of the area known as greater London. The tendency has been to attract more new businesses there.

As a capital, London is decidedly gayer than ever in her history. She has even

produced a few sidewalk cafés. Hotels and restaurants are running less to the dull solidity of other generations and more to cabarets and dancing.

The growth in rayon usages and the rapid development of "consumer credit" is making women more chic in their dress, and the growth of the ready-made men's garment has smartened the other sex. The real grip of the ready-made industry is in the cheap trade (the "fifty-shilling" (about \$10) suit is the standard) but even the \$50 and \$60 suit buyer is now patronizing great stores like Austin Reed, Ltd., for ready-made clothes of all kinds, including scarlet-lined opera cloaks. These changes imply a greater freedom of spending.

Thrift, on the other hand, is increasing. Building societies are embarrassed by deposits. Investment trusts have gathered enormous amounts for stock market investment from a small new public.

Given freedom from war, 1936 should be one of Britain's boom years.

## Canada

**Duty cuts in new United States agreement are now in effect. Customs battle with Japan is settled. Alberta gets another federal loan.**

OTTAWA—Extensive revisions in Canada's customs regulations designed to give effect to the terms of the Canada-United States treaty went into effect Jan. 1. Valuations on fruit and vegetables were reduced and fixed valuations on a long list of commodities were cancelled, as were fixed discounts on automobiles, radios, and softwood doors. Discounts on some imported goods had been fixed at an arbitrary figure. Effect of abolition of fixed discounts is that value for duty shall not include an advance over selling costs in the country of origin. Provision has been made also by Hon. J. L. Ilsley for complying with the terms of the trade pact in connection with the export of liquor to the United States. Americans will have official certificate with all liquor entering the country at the new duty of \$2.50 a gallon, that it has been aged in wood for at least four years. Less mature whiskey does not receive the same treatment under the pact.

Not only did New Year's day mark the reduction of tariff barriers between the United States and Canada but it saw also the restoration of friendly trade relations between this country and Japan. Prime Minister Mackenzie King's new diplomacy was successful in negotiations for the ending of the tariff war which the two countries had waged against each other since August. Japan drops its 50% surtax on Canadian goods while Canada abandons the 33½% retaliatory tax on imports from Japan. Canada also is modifying the provision for the arbitrary valuation of the yen for custom's purposes. As in the case of the new pact with the United States, goods will not be classified in the tariff as of a kind made in Canada in commercial quantities unless they are being produced to an extent to supply

at least 10% of normal Canadian consumption. Fixed valuations are cancelled on a considerable list of commodities.

The Canadian Wheat Board has now a representative in Great Britain endeavoring to regain for Canada the good-will of British importers. The Canadian government apparently gave serious attention to the warning of Sir Francis Floud, British High Commissioner, a few days ago that Canada was losing its hold on the British market through its wheat holding policy.

Ottawa has gone again to the rescue of the province of Alberta. Another \$3 millions of federal funds are being loaned to the new Social Credit provincial government. This brings recent loans to the province to \$6½ millions. Provincial Premier Aberhart estimates total needs at \$18 millions.

At the coming session of the Ontario legislature provision will be made for a provincial income tax. Hitherto the province has not imposed this direct levy, leaving taxing of incomes to municipalities. The tax will be collected through the machinery of the federal government and handed over to the provincial treasury. The business community has understood that this taxation change was coming. Premier Hepburn announced in Toronto that the necessary legislation would be passed during the next session.

## Far East

**Japanese manufacturer produces sample diesel motorbus. Japan will participate in Paris exposition.**

THE Mitsubishi Heavy-Industries, Ltd., according to *Trans-Pacific*, have announced that they have succeeded in turning out a diesel-engined automobile at their Kobe shipbuilding yard. Trial runs are said to have been successful.

It is said that a motorbus such as those now used on the Imperial Government Railways' feeder lines would cost about ¥13,500 complete with the Mitsubishi diesel, while foreign diesels of this size alone cost about ¥100,000.

The Toyoda Automatic Loom Works of Nagoya, in which the Mitsui Bussan Kaisha is heavily interested, has turned out a motor truck, the result of experiments which have been made since 1933. The car is said to cost ¥2,900 f.o.b. factory and is about ¥300 cheaper than the competing Ford and Chevrolet trucks. It will be necessary to produce at least 500 of these trucks a year if the truck is to be sold at this price. Japanese manufacturers have produced several small cars in the last two years but none has provided serious competition with American cars now partially produced in Japan and wholly assembled there.

Japanese manufacturers are reporting progress in their efforts to turn out automobiles.

Japan will participate in the projected International Exposition of Modern Life and Arts in Paris in 1937. An appropriation has already been voted for the first year's preparations.

# Money and the Markets

THE year is off to a good start. Security prices are about at the best levels since 1931, commodity prices at the best average level of the recovery period, and the Federal Reserve Board production index is the highest since the boom times for a year-end period.

Economists in convention this week at New York predicted anywhere from 10% to 20% improvement in business activity during the ensuing 12 months compared with last year.

Even the foreign exchange markets have this week had their share of noble feeling. With Laval securing a vote of confidence in the French Chamber of Deputies (admittedly thin, but a victory nevertheless), and with the French discount rate down from its recent protective high of 6%, the French franc had a taste of strength. The nadir of silver's current fortunes has probably passed, and this has added a measure of strength to the currency scene.

The potentially momentous developments of the immediate future are the President's budget message and the Supreme Court decisions on the agricultural adjustment and Bankhead cotton control acts.

The country is well prepared for the decisions, in that no price structure appears vulnerable to any great degree. On the contrary, either an adverse or a confirming decision on processing taxes is likely to spur business in the affected lines.

In the budget message on Monday, President Roosevelt is likely to talk in low figures, displaying at least an urge toward economy and cessation of huge expenditures. But what the bonus legislation, fresh relief, and other possible purse-looseners will do to the country's financial plans before the year is out is an entirely different matter.

## Expect Better Financing Year

New financing, as a matter of course, was highly inactive during the holiday period, and the investment trade's attention was almost solely engaged with predictions of the course of 1936 financing. The gist of the forward-looking

lay in three main expectations: first, that refunding would yield its dominant position to new-capital financing; second, that industrials would displace utilities as the chief borrower; and third, that aggregate volume would surpass that of 1935.

The stock market staged a very flossy goodbye to 1935, practically recapturing its November peak levels in a last two-day fling. Before 1936 arrived, the Standard Statistics average of 90 stocks came within a fraction of a whisper of equalling the November top. War stocks, chiefly aviation, were decidedly prominent in the trading. In activity and strength they were exceeded only by the oil shares. The influence of income-tax selling in the final days of the year was of no consequence except to fill the stock tape with cash transactions.

Memberships on the New York Stock Exchange, in a last minute climb, reached a new high for the year at \$145,000, more than double the low price of \$65,000 made in April. In 1934 memberships sold up to \$190,000.

## Commodities Watch Court

The best evidence of the lull before the Supreme Court decisions on the New Deal farm acts, is in the commodity markets. Cotton has been extremely lethargic, waiting for the Court's rulings, which will cover both the processing tax and Bankhead production

control angles. Throughout the cotton trade the attitude is one of suspense, not so much because any fundamental change in the situation is in sight, but rather just because the trade would like to get it over with. The assumption is rather general that there will be a burst of business in raw cotton and in textiles as soon as the decisions are out of the way, regardless of their direction.

In the grain trade there is similar sluggishness pending the AAA rulings, but this week it looked as if flour millers were tired of waiting, and a moderate increase in business was the result. The strength in foreign markets also helped our grains, as Liverpool discovered with a degree of astonishment that the quantities of southern hemisphere wheat on ocean passage destined for European importers were dropping sharply. Cold weather in our Southwest, arriving before the land had any important snow covering, generated mild fears for the welfare of the winter wheat crop.

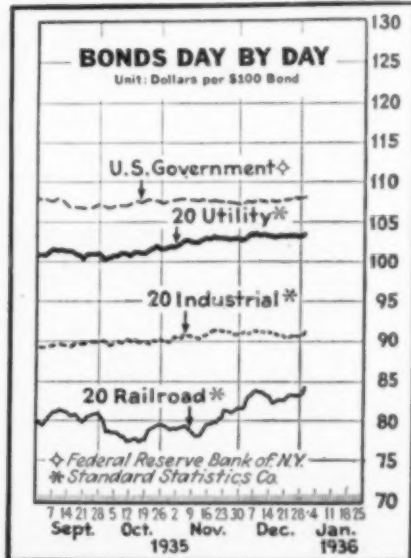
Metals shut the door on the old year uneventfully. They were brightened a little by the recovery in silver. The price increase in copper, looked upon as a definite possibility before the year-end, was abandoned when silver went into its headlong plunge, but with the new year now under harness, copper people are hoping again.

## Hupp Suspends Operations

The Hupp Motor Car Co. suspended operations this week at its Detroit plant, pending the scraping up of some new working capital. The first question posed by the revelation of Hupp's tight spot was, "What were the Andrews and Drake factions fighting about?" It looks like a case of the winner taking a bag of horns.

Hupp's working capital has suffered severely in the last year. Operating losses, plus loss on the sale of a piece of property, plunged the working capital balance below \$1 million by Oct. 1, 1935, from more than \$2 millions a year earlier.

Hupp has been on the bad luck end of





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### For those who Chart the Course of Business

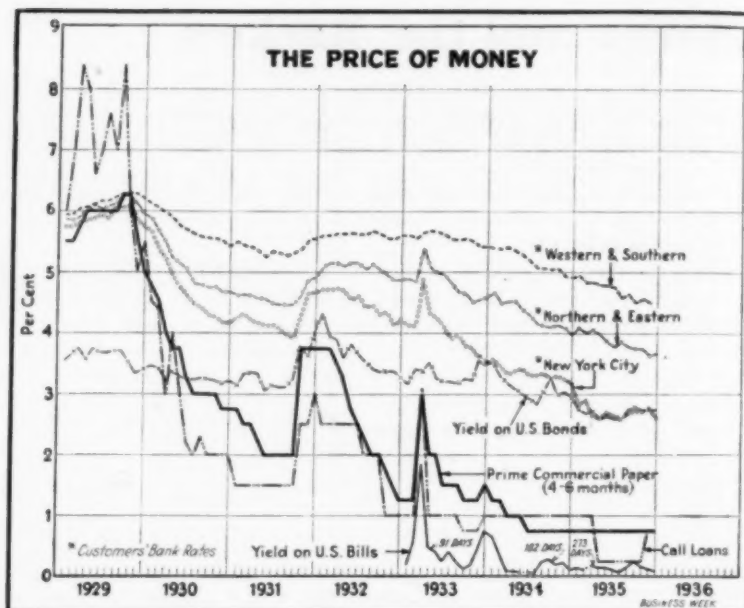
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**BUSINESS WEEK**

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things with fair regularity since its last spree in 1927, when the company introduced a model that was much admired and widely copied.

### U. S. and "World Bank"

Washington is wondering whether it isn't poor business to allow meetings of the Bank for International Settlements, at which things of considerable importance to the United States are constantly under discussion, to go unattended by American interests.

The two private bankers who were named to the board of the B.I.S. when it was founded, have resigned and the vacancies remain unfilled. When the original appointments were made, it was the American policy to have no official representation on the B.I.S., but this policy is now under attack and it is possible that a member of our Federal Reserve Board, plus a private banker living abroad, will be selected for the two vacant American places so that this country may get an ear in on the reported valuable discussions of world affairs that take place at the monthly meetings of the B.I.S. board. Of course, the question is not as important as it would be if the B.I.S. were a positive agency.

### Jones Boosts Bank Stocks

Jesse Jones is a splendid press agent. When he told reporters several weeks ago that the Continental Illinois National Bank and Trust Co. of Chicago would probably resume dividends soon, the stock on the over-the-counter market, already rising, increased its pace. Continental ended the year nearly 100 points above the low point of the period.

The bank stock market has it that the bank will declare a dividend (probably \$2 a share) within the next month. Earnings in 1935 are estimated at close to \$15 a share. RFC owns \$50 millions of preferred stock in Continental, which is Chicago's largest bank (deposits over

the \$1 billion mark). The First National Bank, Chicago's second largest, recently resumed dividends on its common stock.

### Trend of Canadian Securities

Canadian security price trends have had much in common with our own during the past year. Advancing values, after the low point in March, carried the common stock price index of the Dominion Bureau of Statistics to the highest level since April, 1931, and gains were further extended in November, subsequently falling off moderately along with recessions in the American markets.

With a heavy flavoring of metal stocks, the Canadian exchanges were especially favored by the world-wide improvement in metal equities. A total of 34 issues on the Montreal exchanges, largely mining and distillery shares, exceeded 1929 highs in November, 1935. Several, including a half dozen of the larger gold companies, are also listed on American exchanges and pursued the same advancing course here. Dome Mines, one of these, in November sold for more than four times its best 1929 valuation.

### Wallace Is Sugar-Cautious

Sugar consumption requirements for this country for 1936 have been set at 6,434,088 short tons by Secretary Wallace under the provisions of the Jones-Costigan Act. This is smaller by about 100,000 tons than the American sweet tooth called for in 1935, but the reduction has no trade significance.

Sugar people expect fully as large consumption in the present year as in 1935, perhaps even larger. But the Department of Agriculture has discovered that it is simpler to err on the scanty side than on the surplus side, since it is no trouble to increase quotas later in the year, if consumption warrants, but it might be difficult to curtail allotments pleasantly if that were found necessary.

# Editorially Speaking—

"If it had not been for the reforms of President Roosevelt, America would have gone Communist," says John Cudahy, American ambassador to Poland. This is the same hollow old argument that has been used time and again for Mussolini and Hitler. They both saved their countries from Communism. But Mussolini himself declared, some time before he pulled the right wires that brought him into power: "To say that there still exists a Bolshevik peril in Italy is, for interested motives, to substitute fears for reality. Bolshevism has been vanquished." And Hitler in the fall of 1932 cooperated with the Communists in a great transportation strike in Berlin, in order to prevent the republic from functioning, and to produce the very chaos from which he asserted he was saving Germany.

MAYOR KELLY of Chicago says it's un-American of Colonel Lindbergh to take his family out of the country for safety's sake. Oh, absolutely! Come back, colonel. Bring your wife back. Bring your son. Especially your son. Bring him back where a chain of yellow newspapers can send carloads of cameramen out to push his car off the road, get his picture, and slap it on the front page, putting ideas in the heads of cranks and crooks. One child lost isn't enough. Bring this one back, colonel, and take a chance.

SPEAKING of mayors, there's the mayor of Boston, who has made an interesting explanation of why he allowed Ibsen's "Ghosts" to play there, although he stopped "The Children's Hour." Of "Ghosts" he is reported to have said, "Its very theme is so gruesome and revolting that I think it could never be a success here—or anywhere else." Never a success anywhere, it's playing to packed houses in New York right now. A play that can do that when it's more than half a century old can hardly be considered a complete flop.

SOMETIMES, when out in some Western sheep region, we've watched a man using a small brush, or maybe a stick, to "brand" a sheep with a crude painted mark, such as a cross, or a circle with a dot in it. Plainly this spoils part of the wool. The sheep are sheared rapidly, with electrical shears. We once suggested that a circle be cut right around the mark, so that only the unpainted wool would go to market. But the answer was that before this could be sold in manufacturing quantities, it would have to be mixed with other wool, already marred with paint.

Now Prof. J. F. Wilson of the College of Agriculture of the University

of California suggests that growers cooperate to produce unpainted wool in large volume. It would be branded with chemicals or fire, and the manufacturers, no longer obliged to clean the paint off, would pay a higher price.

SYMPTOM of recovery: a set of shoes for the horse. J. W. Brown, head of two Canadian companies manufacturing horseshoe nails, reports that sales in 1935 were 20% better than in 1934, making the year the best since '29.

ANY item of news like the one above always rejoices the Horse Association of America, which has never ceased proclaiming the superiority of the horse over the truck.

WE wonder if some member of the association, falling on hard times, has thought of adapting the scheme of Charles Dalrymple, a former automobile dealer who started a chain letter that said in effect: "Send us a dollar, add your name to this, and send copies of it to ten other people. The money will be used to buy automobiles for all signers, in the order of their signing." Mr. Dalrymple says he got 67,000 members together in this manner, and took in \$5,400 in one day. Lately the Los Angeles police closed him up, but he declared he would reopen soon.

There must be a lot of people who'd be willing to pay a dollar and get a horse, complete with new shoes.

LYNCHINGS in 1935, according to what is probably an accurate tabulation: California, one; North Carolina, one; Tennessee, one; Florida, two; Georgia, two; Texas, two; Louisiana, four; Mississippi, seven. White victims, two; Negroes, 18. There were five more lynchings than in 1934.

GENERAL OUTDOOR ADVERTISING CO. has closed up its handbill distributing department in Chicago. There's been a newspaper "crusade" against handbills, ostensibly on behalf of housewives who don't want their porches and vestibules littered up. The profit on the handbills wasn't worth the hostility that was being aroused, and the company decided to make an investment in good will by getting out and letting smaller distributors face the attack.

COLLEGE sports officials are getting excited because of the antics of the drinkers at football games, some of whom have begun to think it's smart to leave the stands and run out on the field. The best way to stop that practice is to let them get in the path of an earnest fullback on his way to the goal.

## WANTED — SALESMAN

We have a number of good openings throughout the country for men who are looking for a steady and permanent position as direct factory representative for our company. Prefer men who are capable of interviewing industrial executives, bankers, school and college heads, public institution heads, store executives and private estate owners. Company rated A-1. Established 20 years, recognized as leader. Products nationally advertised. Similar position paying from \$2500 to \$5000 and up. Write, giving details of your business experience, etc. Address SALES DIRECTOR, (Dept. A) Factory P. O. Box 983, Dayton, Ohio.

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Accustomed to results, with aptitude for adaptation large or small organization, well qualified to carry responsibilities, past record substantiates capacity, judgment and ability. Experienced finance, accounting, production, sales. Also foreign—with large American corporation.

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**GENERAL MILLS, INC.**

30th Consecutive  
Common Stock Dividend

December 21, 1935  
Directors of General Mills, Inc., announce the declaration of the regular quarterly dividend of \$1.75 per share upon the common stock of the company, payable February 1, 1936, to all common stockholders of record at the close of business January 10, 1936. Checks will be mailed. Transfer books will not be closed. This is the thirtieth consecutive dividend on General Mills Common.  
(Signed) KARL E. HUMPHREY,  
Treasurer.



JANUARY 4, 1936

## In Full Confidence

Business enters the new year with a courage, confidence, and self-esteem it has not known in many years.

Courage because it has met and withstood an unprecedented series of bruising shocks, turned aside the most destructive attacks on the American system of business and economy, and found new cohesion in the process.

Confidence because, in spite of every obstacle, natural as well as contrived, it has made substantial progress toward recovery and prosperity and faces certain continuation of that forward march.

Self-esteem because it has set its own house in order, gone far toward modernizing men and management as well as plant, dismissed from high place most of those few who brought righteous public indignation on the heads of all business and gave cause but not justification to the excesses of reform, and adopted a new sense of social responsibility.

This change in the attitude of business men toward their opportunities and responsibilities, toward their friends and their enemies, was the most important forward step of the year. Business is ready to make the most of the certainty that nothing in politics or economy, short of a world cataclysm, can prevent a great forward surge in 1936.

Every natural factor in the situation promises progress and prosperity. But there are latent explosive elements in our economy which might accelerate business dangerously. There lies our only serious threat. In this respect we are relatively where we were in 1925 but with a vastly louder detonation potential in our fiscal structure. We have an Administration and a Federal Reserve Board committed to a policy of forcing inflation, bankers trying to put at work the largest store of excess reserves in history, and all the ingredients of speculative excess.

This is a presidential election year. The incumbent candidate, unsatisfied with a vast program of reform already enacted, pushes forward new corrective and punitive measures. A Congress slightly chastened but still unpredictable will be in session most of the first half of the year. Litigation will create widespread uncertainty as to the business future. Europe is seething.

Even if the worst happens in each

of these fields, business should increase both its volume and profits. If the best miraculously occurs as to all these exigencies, business might easily run away downhill.

Despite our habit of expecting the worst in presidential election years, history shows that more of them have shown progress than retreat, and this year every factor points to progress. Congress shows a growing independence of Administration dictation. It will vote for what it thinks the voters want, not what any leader demands. This gives business the opportunity of speaking effectively through that vast majority of the public whose daily welfare depends on business progress and profits.

The outcome of court tests of New Deal legislation can be highly stimulating and it can't make matters much worse.

Europe can not hurt us in the immediate future. Regardless of its long-time effects, a general European war would stimulate business, profits, and employment for a time. If war threats disappear, European business will progress and foreign trade will expand.

There is another intangible but inexorable factor working for recovery. Public attitude toward business, capital, and corporate units works in well-defined and steadily moving swings of a cycle. The last great turn began in the Administration of another Roosevelt when business sank low in public esteem. From that point there was a steady rise which culminated early in 1928, long before the late business collapse.

The decline of business in public opinion was precipitate because of the brutality of the depression and the able leadership given the elements of unrest. This swing was unusually short because it was so abrupt. Reforms were accomplished and pushed to excess more rapidly than heretofore. Scalps were collected whole-

sale. The upward turn came six months ago. Not to believe this turn will continue is to deny experience and human nature.

If these points of view are logical and acceptable, business can approach the new year in full confidence and with a clear conscience. By the end of 1936 the benefits of the late panic will be paying dividends, while its hurts will be remembered only for the lessons they taught.

## Difficulties on The Road to Neutrality

The American people want to keep out of war, but how to make sure of doing it is a problem that seems to grow more complicated the more one thinks of it. The National Peace Conference, composed of 30 peace organizations, appointed a committee to find a solution, and the committee ran into difficulties.

Here is one of them. Certain goods are useful in war. Oil, copper, trucks, and cotton, for instance. To put an embargo on them is to damage their producers. How shall we get around this? The committee has drafted a tentative neutrality act, and one of the provisions is that when any American loses money by an embargo, "such loss shall be distributed and borne by the people of the United States, as a part of the cost of avoiding the involvement of the United States in war," and the President may "recommend to Congress the means by which such purpose shall be effected."

The President, that is to say, shall find out how much an iron miner in Minnesota has lost through an embargo on trucks! Millions of people might lose money, and it would be impossible to estimate their individual losses.

The act contains another section, on which the committee is not unanimous. It provides that if one of the belligerents is found to be the aggressor, in violation of the Kellogg Peace Pact, Congress shall lift the embargo on the export of goods to the country that is attacked. But this is not a neutrality provision. It is punishment; it is enforcement of the Kellogg Pact. It is intervention, and instead of keeping us out of war it is more likely to get us into it.

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